

# Putting some mussel into the arthritis battle

by Warren Berryman  
SEATONE... the natural extract from the New Zealand green-lipped mussel.

Thousands of arthritis sufferers swear by the stuff, saying it brings them relief from this painful disease.

New Zealand is the only source of the extract.

Seatone is manufactured by Auckland's McFarlane Laboratories Ltd, which also grows its own mussels.

McFarlane's exported 90 per cent of its production last year to some eight countries, and earned more than \$500,000.

At home, McFarlane has been fighting a running battle with the New Zealand Health Department.

The Health Department is sceptical about Seaton's remedial capabilities. It has taken McFarlane to court over advertising.

After an appeal by McFarlane, the score was one count to the Health Department, four to McFarlane.

Seaton can't be sold as a drug. The active ingredient in

the extract has yet to be isolated. But it can be sold as a health food.

As far as Seaton's claims to alleviate arthritis pain, McFarlane's best advertising to date has been word of mouth and a wealth of publicity in the local and foreign press — much to the Health Department's displeasure.

McFarlane tested its product when it first started six years ago, administering it to 40 arthritis sufferers and claiming it brought relief to 35 of them.

Seaton underwent a cursory testing at the Dunedin Medical School some years ago. The school was sceptical of the benefits.

The Dunedin test has been the major prop under the Health Department's case. McFarlane disputes the Dunedin findings.

Still, the Dunedin tests did not show Seaton to be harmful, which left McFarlane free to sell it as a health food.

Seaton has fared better overseas. After two years



testing in Glasgow, recently released preliminary results are optimistic.

The next stage is a "double blind" test, now under way in Glasgow. In a double blind test a group of arthritis sufferers will be given Seaton and another group of sufferers will be given a placebo. Neither those administering the pills nor the patients will know which is the placebo and which the Seaton. This will be known only by the master controller of the experiment.

If those receiving Seaton fare better than those receiving the placebo, it can be put down only to the remedial effects of Seaton and not a psychological or psychosomatic cure through belief in the product.

The Auckland Hospital rheumatology department proposes to do its own double blind test on Seaton if it can get the necessary approval from the ethics committee of the Medical Association and permission from the Auckland Hospital Board.

Dr Peter Gow, one of the doctors intending to participate in the test, said the Glasgow tests were encouraging.

The Auckland test, if it proves Seaton to be efficacious in relieving arthritic pain, will go some way toward stilling the Health Department's opposition.

But proving this point will not put Seaton on the market as a drug.

To do so, it would probably



be necessary to isolate the active ingredient.

Medical companies have already tried and failed to do this. The research work required to isolate the active ingredient might cost millions, and probably be beyond the reach of McFarlane.

To be sold as a drug here would necessitate approval by the Health Department. And one could anticipate resistance from the major pharmaceutical companies — so long as Seaton remained a natural remedy.

Still, a McFarlane director is presently in Switzerland negotiating with a Swiss pharmaceutical company to register Seaton in that country as a drug.

Twenty-one day's supply of Seaton costs only \$9.60 and there is growing consumer favour for natural remedies.

Many drugs on the market had their origins as natural remedies. But the active

ingredient has been isolated these cases.

Isolating the ingredient is important. Until the active ingredient is isolated, there remains possibility that it could be found in mussels at different levels in the year.

The discovery of Seaton was accidental. In 1966 American researchers were looking for a cure for cancer from products, tested shell fish around the world, among the green-lipped mussel.

While the mussel did prove to be a cure for cancer, the researchers discovered it seemed to have a beneficial effect on arthritic pain.

The Americans initially interested developing a mussel plant in association with McFarlane here. In the end McFarlane it on their own.



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# NATIONAL BUSINESS REVIEW

60 cents

Volume 9, No. 27, (Issue 344) July 25, 1979

## Oil consortiums dodge full blast of new tax regime

by John Draper

A GOVERNMENT bid to get tough with the oil explorers over the tax they should pay in New Zealand has failed.

More than three years hard bargaining is yielding a separate petroleum mining bill which will determine what taxes the oil giants will pay when any gas or oil fields they might find start producing.

But the consortiums operating the highly profitable Kapuni field and the offshore Maui field will escape virtually unscathed from the new

provisions. Shell, BP and Toid all have written indemnities against any changes to the tax structure which might be detrimental to their profits from the two fields.

And the profits have been big.

At the time the contract was drawn up for the sale of Kapuni condensate its world price was \$2.50 a barrel. Now the price is round \$25 a barrel. Since Kapuni started producing 2.55 million tonnes of condensate, which has been

used as feedstock for the Marsden Point refinery yielding the consortium profits of at least \$250 million.

Not one cent, NBR understands, has found its way directly back into the public purse in taxation on the three companies' profits.

On paper at least, and for taxation purposes, the consortium is pouring the Kapuni profits into the development of the Maui field.

The Government, NBR understands, wanted to produce a similar tax struc-

ture to that applied by Britain to North Sea. There, the oil companies face three taxes: a petroleum revenue tax of 45 per cent levied at the wellhead; a 12.5 per cent royalty on landed value; and a 52 per cent corporation tax on company profits.

The oil explorers claim that New Zealand is not sitting on another Saudi Arabian-style find nor even one comparable to the North Sea.

Kapuni and Maui, they say are not as rich, nor high producing fields in world terms, a factor that has to be taken into consideration.

High yielding fields can bear high taxes, or so the theory goes.

At least the oil companies find it more difficult to resist Government demands where the yields are good and investment recovery rapid.

And the British Government in its quest for oil recognises that not all fields can afford to pay.

Companies are exempt from petroleum revenue tax — there

is an equivalent for gas — where the return on capital invested falls below 30 per cent.

The Secretary for Energy can also waive the 12.5 per cent royalty where it may otherwise make production uneconomic.

Unlike many other countries, New Zealand's oil and gas fields are not ring fenced for taxation purposes.

This effectively means that the companies can write off other exploration and development expenditure from unsuccessful or unprofitable wells against all their profits.

Ring fencing was one proposal put by the Government in the prolonged negotiations which have lasted on and off for several years... and vehemently objected to by the companies.

The Government also proposed upping the tax rate on oil profits to 45c in the dollar and introducing an excess profits tax.

This too was rejected and the tax rate is now expected to be 45 cents. At present any company unable to use various allowances and depreciation provisions to

avoid showing a profit would pay 30 cents in the dollar.

The companies strongly resisted the 55 per cent rate on the grounds that it would not be acceptable to the United States Inland Revenue Department. The United States at present allows the companies to offset any tax paid to foreign governments up to 46 per cent against their American tax liability.

Arumco, the Arabian American Oil Co. jointly owned by Texaco, Mobil, Exxon and Soral, earned profits of more than \$580 million last year. But it paid no U.S. income taxes at all on its Saudi bonanza, and has paid no U.S. taxes at all since 1960.

Royalties are a meagre 5 per cent in New Zealand while elsewhere in the world they are commonly between 10 and 16 per cent.

NBR understands that oil company chiefs broke off negotiations with officials last week, going directly to Energy Minister Bill Birch in a last minute bid to wring more concessions from the Government before the bill is put before Parliament.

The Kapuni and Maui continued on Page 3.

## The Norwich connection

by Warren Berryman

SECURITIBANK credit meeting last week to vote for a new liquidator, were not given all the facts relating to the nominee for liquidator supported by official assignee, Ernie Gould.

The Securitibank investors consortium, representing a large number of creditors, has been primarily concerned that the liquidator have no ties or conflict of interest with any of the Securitibank shareholders or directors.

The meeting was chaired by Gould.

Following instructions laid down by the court, Gould asked each of the four pairs of liquidator nominees the following three questions:

• Whether the nominees are prepared to accept nomination?

• Whether the nominees have any conflict of interest should their duties require the directors or shareholders of any of the six companies to be sued?

• Whether the nominees have any shareholding in any shareholder of Securitibank Limited?

And any matters, of course, that were considered relevant. All four answered yes to the first question and no to the second.

The joint liquidators nominated by the consortium, Harold Goodman and Ches Sturt said they had no conflict of interest. Another team of joint liquidators nominees, Francis Jolly and Murray Wells, also said they had no conflicting interests.

Gerry Rea and Bruce Stowell, both of Gillfillan Morris and Co, revealed to the creditors that their accountancy firm acted as auditors for two Securitibank shareholders — South British and New Zealand Insurance.

The nominated fourth pair, were Bryan Kensington and Bruce Christmas, both of Wilkinson Wilberfoss.

Gould told the meeting that he had asked this pair the three questions and been told there was no conflict of interest.

But Wilkinson Wilberfoss act as auditors to Securitibank shareholder, Norwich Union Life Insurance Society.

Jack Anderson, secretary of the consortium, walked up to Gould in front of the meeting and showed him evidence that Wilkinson Wilberfoss had acted as auditors. They talked in low voices undisturbed by the meeting.

Gould did not inform the meeting of the fact that Wilkinson Wilberfoss had acted as a Securitibank shareholders auditor.

Gould then cast all his \$6.3 million in proxy votes for Kensington and Christmas.

Court directions precluded the creditors questioning candidates for liquidator, so the consortium members who were aware of the possible conflict of interest could not bring it to the attention of the meeting to clear the air before voting.

NBR phoned Kensington after the meeting pointing out that Wilkinson Wilberfoss had acted as auditors and been paid nearly \$20,000 for the job.

Kensington said the failure to mention this fact was an "honest mistake" on his part when he answered Gould's questions. He had been aware, he said, that his firm's Wellington branch were acting as auditors for Norwich Union.

But at the time he was not aware that Norwich Union was a Securitibank shareholder.

The names of all 20 Securitibank shareholders have been well publicised in the press. They have also appeared in the court actions brought against Securitibank shareholders by the consortium.

Gould acknowledged that Anderson did point out the auditor connection at the meeting, but said: "I take the

view that audit relationships are not necessarily a conflict of interest."

Anderson made the point at the meeting that auditors receive very substantial fees for their work. It was not only important that there be no conflict of interest but that there can be seen to be no conflict of interest.

Anderson told NBR he had informed Gould of this possible conflict of interest some days prior to the meeting.

Gould said Anderson had only suggested that all the big accountancy firms had ties to Securitibank shareholders.

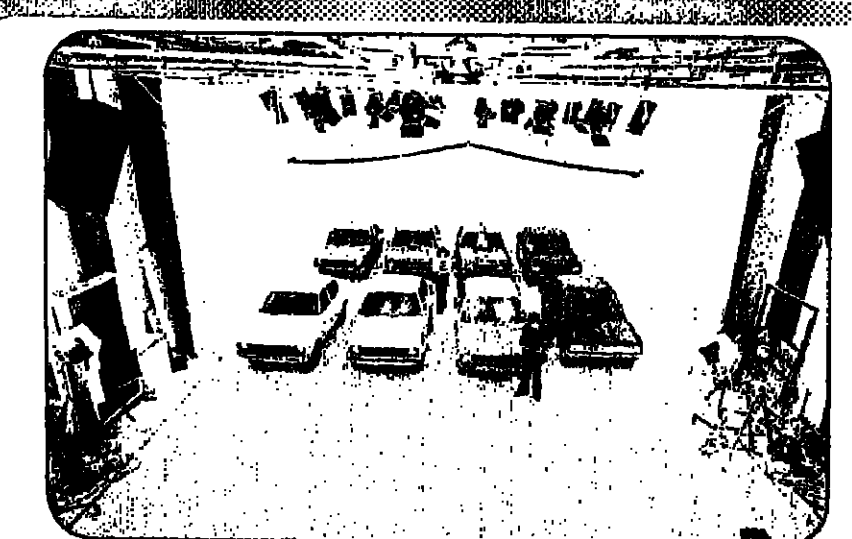
In his court report on the meeting Gould reiterated Kensington and Christmas' claim that until after the meeting they were unaware of their firm's involvement with a Securitibank shareholder as they were not aware that Norwich Union was a shareholder of the collapsed group.

Kensington and Christmas received 525 votes representing \$7,317,375 versus 1079 votes, representing \$10,582,519 cast for Sturt and Goodman.

Which leaves only the hypothetical question, what would have happened had Kensington and Christmas received the majority of votes cast by creditors who had been led to believe they had no connection with any Securitibank shareholder?

Also, did Kensington and Christmas fare better in the voting than Rea and Stowell because Rea and Stowell declared their audit relationship openly before the creditors, while Kensington and Christmas' relationship did not become known until after the votes were cast?

As NBR went to press it was learnt from Wilkinson Wilberfoss that the nomination of Kensington and Christmas had been withdrawn.



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## Lignite night be cheaper prospect


by John Draper



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## A black and white photograph of a smiling couple. The woman on the left is wearing a patterned dress and holding a large basket of fruit. The man on the right is wearing a tuxedo and a bow tie, holding a glass of wine.



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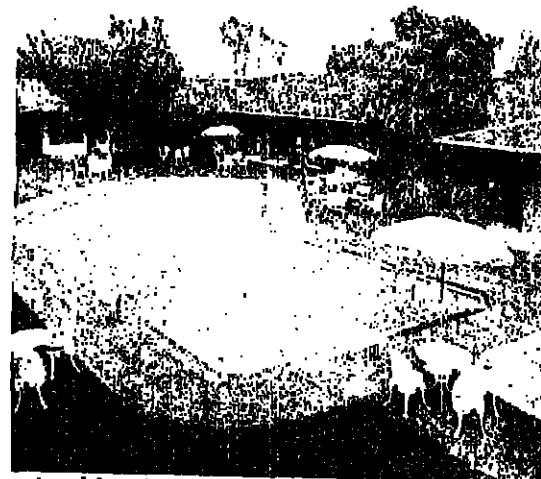


## The Traveller's Guide to an enjoyable stay in New Zealand



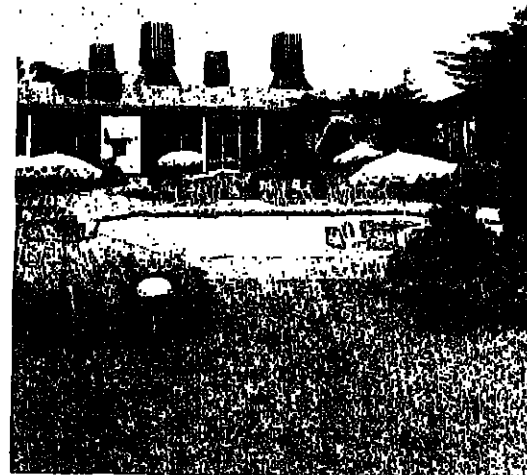
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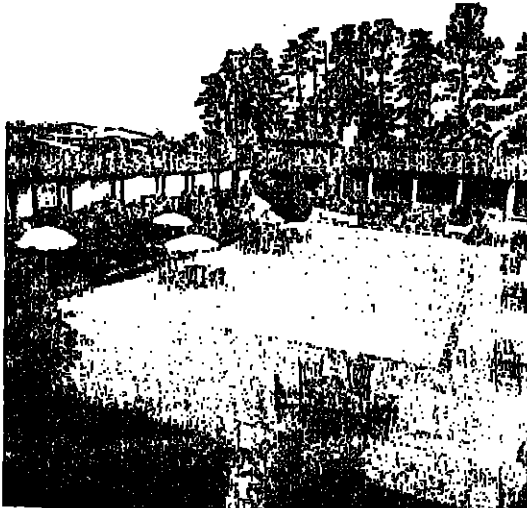
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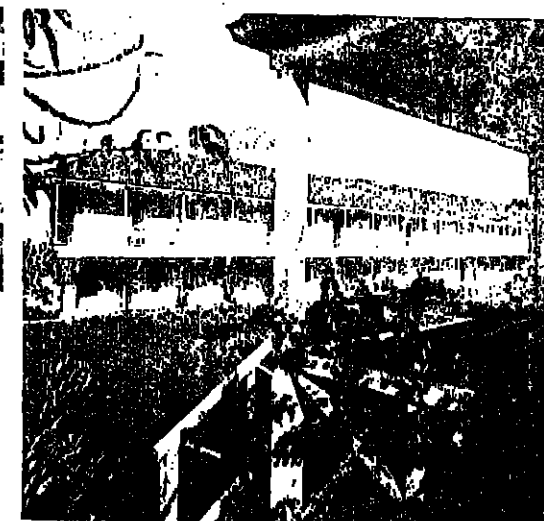
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## Fare inquiry leak sends Terminating societies : only in NZ TAANZ chiefs for cover

by Warren Berryman

DIRECTORS of the Travel Agents Association of New Zealand (TAANZ) have scuttled for cover after publication in NBR of the Ministry of Transport's investigation into the cut-rate fares offered by the Link Association.

Link is undercutting TAANZ air fares by up to 26 per cent. TAANZ members don't like it. But they're not sure how Link can cut its fares by such a big amount under existing tariff regulations.

The fare-cutting arrangement involves Link, Sabena Belgian airlines and Air New Zealand.

The situation was understandably delicate when TAANZ pressed the Ministry of Transport into investigating a fare-cutting deal which might involve the Government-owned carrier.

While Link and Air New Zealand are busy answering the Ministry of Transport's questions, the prime concern for TAANZ and the ministry is

who leaked the information to NBR.

TAANZ directors have been informed on a confidential basis by their executive director, Peter Lowry, that the leaks did not come from the TAANZ executive.

TAANZ always maintains it is working in the best interests of the consumer. But concern for the consumer might not be immediately obvious to the public if TAANZ knocked Link's cheap tour packages.

Link has achieved amazing growth in recent years. And its members are not complaining about the services offered, including stopover packages and hotel rooms at as little as \$15 a night in addition to air fares discounted by up to 26 per cent below the cheapest price offered by TAANZ members.

But TAANZ policy is to stop all child discounting. This policy, and the matter of leaks to the press, should enliven the debate when the TAANZ airline committee meets in Auckland on July 31.

by Rae Mazengarb

THE terminating building societies — not to be confused with the permanent building societies — are unique organisations which have managed to survive only in New Zealand.

Originally promoted in England, they did well until they were legislated against in 1893 because of practices which are said to still apply in New Zealand today.

And as recently as 1975 they were outlawed in South Australia, followed by Queensland a year later.

The trends overseas suggest a bleak picture for their future here.

Only 12 terminating building societies remain registered today compared with 15 a year ago.

But it is popularly believed that no one would win authority to incorporate such a society today.

Major criticisms of the societies stem from the nature of the contract between the societies and their members and the high forfeiture rate.

It is claimed that the contracts are so worded that it is

## Societies under threat of Govt termination

by Rae Mazengarb

THE terminating building societies are under close scrutiny from the Government and new modes of operation have been called for.

Officials say if radical changes are not effected soon, the societies may be asked to run down their existing operations.

Not only are they out of favour with the politicians. It is clear that some investors, too, are becoming disillusioned with the return on funds they put with the societies.

Attracted to the terminating societies by the ballots which appeal to their gambling instincts, members have been cutting it quits and cancelling memberships at a steady rate over the last four years.

Membership has dropped by about 15,000 since 1975, though total funds have been increasing and now stand at \$446 million.

While membership has waned, proceeds from the forfeiture of shares is on the increase — up by more than 35 per cent to \$3.17 million in the past financial year.

This brings the total for the past four years to \$9.25 million.

Government is not happy with the terminating societies and the systems under which they operate.

Prime Minister Rob Muldoon expressed his dissatisfaction recently when he called for some "prompt action" by the societies to put their houses in order.

While admitting that the forfeitures are spread over the various terminating societies,

Muldoon said: "What an outcry there would be if members of the public lost in one year more than \$3 million in a single company which failed. I personally view the magnitude of the forfeited moneys with some concern."

There were hints that if the initiative did not come from within the societies "without over-much delay", the Government would step in.

Directors of the societies will meet shortly to work out acceptable proposals for change.

But the Registrar of Building Societies, Kelvin Prisk, said the terminating societies are finished as we know them today, unless they can find a way to meet the criticisms that are being made of them.

The Building Societies Act 1965, under which they operate, will be amended to allow for the societies to function under any new system that is suggested.

Inflation has killed the appeal the societies once had for the investors.

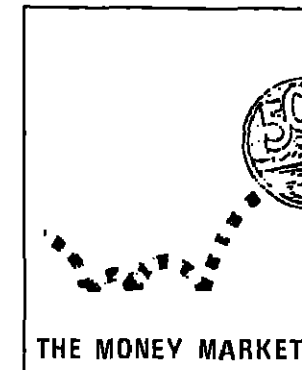
The possibility of winning a ballot which qualifies the shareholder for a loan, cash, or a mixture of both, has been the best selling point for the terminating societies in the past.

But the chances of winning — at least in the first 15 years of membership — are remote. And when the shareholder's number finally comes up, it's rarely at a time when he needs a loan. Thus many opt for a cash payment.

And while the members are locked into long-term contracts, no interest is paid.

With inflation climbing rapidly, reflected in dramatic

interest rates offered by a proliferation of other institutions in the money race — investors are fast growing cynical about the nebulous returns offered by the terminating societies.



difficult to visualise any circumstances where a member could take legal action against a society.

Added to this is the complaint that would-be homebuyers are not always able to obtain finance at a time when it is needed.

There are three ways of securing a housing loan — by ballot, tender, or application. Returns from societies show that only between 3 and 5 per cent of members may have won a ballot after 10 years and only between 5 and 7 per cent after 15 years, so the chances are slim.

A shareholder can tender for a loan. But his tender is considered along with other members in the group and the highest tender is accepted.

Loans by application are at a set rate of interest and the shareholder must have been a member of the group for a qualifying period.

But it has been said that this period is often increased by the society after the member has committed himself to the group for at least 10 years.

Clive Tippetts, general manager of the Northern

Terminating Building Society (highest of the 12), and president of the societies' association, sees a bright future for the terminating societies. "though not necessarily in their present form," in spite of apparent threats from Government.

The figures show a drop off in membership. But Tippetts pointed out the allocation of shares remains virtually unchanged. People are still willing to buy them.

The Northern's policy is not to forfeit shares, although other societies do.

According to Tippetts, the moves to consider changes to the operations have been at the instigation of the societies themselves and not because of statements from Government.

There have been a number of developments in the last few years, but probably the most obvious is the move by some terminating societies to become closely associated with the permanents.

Northern is closely associated with the Northern-United Permanent Building Society; the Auckland Terminating is associated with the Countrywide Permanent; the Western Terminating is associated with Western Consolidated Permanent.

The same executive operates both the associated societies.

This trend is openly encouraged by both the Permanent Buildings Societies' Association and the terminating societies' association.

A further development is a tendency for brother societies to become so closely merged

that they operate as two divisions under the one hat.

These developments will no doubt find favour politically, since, as PM Rob Muldoon pointed out, there are at present 55 building societies in New Zealand — "still far too many".

But the developments along these lines have been interpreted in various ways by various commentators and some have gone as far as saying the moves are because the terminations have "seen the writing on the wall".

In a recent paper commissioned by the National Housing Commission, N J Burt, of the NZ Institute of Economic Research, lumps them in with insurance companies.

"The returns on funds invested with insurance companies and terminating building societies are difficult to assess and this could be one reason why such investments have, and could continue to become, relatively less attractive. It is not surprising therefore to learn of terminating building societies and some 'large' finance companies taking a more active interest in the activities of permanent (i.e. deposit taking) building societies".

So what role are they filling at present? Muldoon has commended the societies as a whole for their contribution to housing. Currently advances on mortgages by the terminations run at around \$64 million.

According to Burt's figures this represents only 5 per cent of the total new housing mortgage registrations.



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## Govts guide investors through state labyrinth

by Peter V O'Brien

THE Government is setting up an "investment unit" with personnel drawn from departments, and a private sector representative, to attract overseas investment and guide potential investors through the administrative labyrinth.

That may or may not solve the problem. Other countries have specialised organisations to carry out this function. Some Australian States, Singapore, and South Korea are examples. The Republic of Ireland has a sophisticated system of industrial development, which has some relevance to New Zealand, due to similar population (both countries about 3.2 million people), and an agricultural base. There are structural differences, of course, including Irish access to the EEC market, and the fact that New Zealand had a much more developed economy than Ireland when the latter embarked on an industrial development programme. The last point has less relevance today, because the gap between the gross national products of the two countries is rapidly closing.

The Irish Industrial Development Authority is based on a 1969 empowering act, although its origins go back further. It is a Government agency, in the nature of a public corporation. The Authority is empowered to encourage and develop industrial investment.

The IDA interprets the mandate as having three central aims (a) to assist in the

achievement of full employment (b) improve living standards (c) contribute to regional and sectoral balance.

(The IDA differs from our Development Finance Corporation. The latter's Irish counterpart is the Industrial Credit Company).

The IDA's Industrial Plan 1977-80 (yes, there are plans in other countries) explains how the functions are fulfilled:

"through industrial promotion, the utilisation of financial and physical resources, and the deployment of its staff, IDA encourages individuals and companies, both private and State owned, to invest in manufacturing industry and to assist that investment. Through its Rescue Service for industry it endeavours to minimise job losses and dislocation in firms. IDA also operates a limited service industry programme."

The authority works closely to the national planning targets laid down in the government's regularly updated white papers, while producing its own medium term plans for job creation.

The authority has nine members. Four are businessmen, three are drawn from government departments, one is an independent chairman, and the ninth is the managing director, Michael Killeen. If grant aid of 850,000 pounds (about \$1.75 million) or more is proposed for a particular firm, whether as a single grant or cumulatively, approval of both the authority and the Government is required.

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through regional offices, with fourteen overseas offices, including one in Sydney.

Details of specific development programmes will be given in the second article.

The general structure is outlined here, together with the types of incentives offered. The overall approach to incentives is:

"The incentive package must be competitive with that available in other European countries...including a range of incentive tools (grants, loan guarantees, interest subsidies, tax relief etc.) and allow flexible administration to accommodate individual project requirements."

It is easily understood and he secure. Uncertainty about the continuity of incentives could have adverse implications for the investment and employment targets.

That is coupled with government tax policies. Companies which set up operations before 1979, or in this year, pay no tax on ex-

cesses. The IDA provides cash grants (non-repayable) on cost of fixed assets (including site development). The rate ranges from 35 to 50 per cent depending on area. Up to 100 per cent of agreed training programmes for workers in new industries can be provided. Industrial buildings can be leased or bought from the IDA, which can also guarantee loans, subsidy interest payments and sometimes take equity participation.

Between 1960 and 1976, IDA assistance brought 662 manufacturing projects owned wholly or in part by overseas companies to the country. While this might raise questions of wide overseas ownership, the control is spread over many countries and organisations. In New Zealand we borrow substantial sums from a small number of overseas financiers. Capital investment creates jobs, stimulates resource utilisation, and provides an

added value (most of which goes to people inside the country) well beyond the level of that investment.

But a company does not automatically qualify for the grants and allowances. A comprehensive set of guidelines exists for the submission of industrial proposals, and it is clear that if you fail to measure up then you miss out.

The authority's 1977-80 plan is based on the creation of 47,000 "new grant-aided manufacturing jobs and 2500 service jobs in the years 1977-80". In 1978 the IDA approved more than 30,000 jobs in industries negotiated in that year and exceeded its target of 27,000. The job creation programme takes account of redundancies and closures. This was a problem between 1973 and 1978, but the programme recognises that inefficient and non-competitive firms are a drain on resources and weaken an overall economic strategy which is based on allowing "competition to blow through the economy". The application of IDA programmes to that slogan will be considered next week.

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## Analysing annual accounts

by Peter V O'Brien

A document titled The Fletcher Group Annual Report 1979 is circulating in the finance world. It may be thought that some new corporate beast has come into being, but closer examination reveals a small print inside saying it is the Thirty-ninth Annual Report of Fletcher Holdings Ltd, a well-known industrial, commercial and financial holding company based in Auckland, and one of the country's largest corporations.

Some executives find it strange that outsiders can misname their organisation. The company should put the correct name on the annual offering to shareholders and to the public.

Having established that we are talking about Fletcher Holdings Ltd, and its numerous subsidiaries, the report is well presented, and in keeping with the company's "leader" status. Fletcher dispenses of many criticisms often levelled here at financial

disclosure among public companies.

It is essential that such a large enterprise, with an extraordinarily wide range of interests should use divisional accounting to present its story. The company gives a breakdown of turnover, tax paid earnings, operating assets, return on assets and number of employees for six broad areas of activity: development and contracting, wood products, steel, concrete and aggregates, pulp and paper, and an umbrella of "other activities".

Fletcher has another analysis in a section group activities. The section provides similar information for sixteen areas of business, and is a useful guide to the total business.

The table gives turnover and net profit per employee for each broad division, except the pulp and paper group where the information is excluded from the annual report. This section of company business relates to the 46.2 per cent interest in the Tasman Pulp

and Paper Co Ltd. The details are available in the report of the latter organisation. The table also includes the return on assets for each division.

Activity	Turnover per Employee \$	Tax paid earnings per Employee \$	Return on Assets p.c.
Development and Contracting	5,837	320	1.9
Wood Products	5,347	2,795	7.1
Steel	14,680	5,314	11.0
Concrete and Aggregates	10,694	496	1.2
Other Activities	78,740	8,103	2.2

In terms of the return on assets, steel was the most profitable activity last year, but "other activities" produced the most efficient employee result. The relatively poor showing in development and contracting, and in concrete and aggregates, is understandable in the difficult conditions facing the construction and house-building last year — conditions which will dampen down returns again in 1979-80.

Fletcher produces a detailed breakdown on tax liability, a

This information is essential to establish a company's benefits from tax legislation. Fletcher provided \$6,491,000 on pre-tax operating profit of \$21,130,000 (30.7 per cent) compared with \$4,212,000 on \$17,514,000 in the previous year (24 per cent). Provision was made for taxation on investment income and for a taxation offset on interest payable, foreign currency exchange losses, and non-trading items.

A note sets out the incentives and allowances relating to

exports, forestry development, and investment in plant. Taxation adjustments are shown for other items. The final result, in the consolidated balance sheet, is a provision for tax on payments due this year of \$743,000, being \$332,000 in deferred 1979 terminal tax, and \$411,000 as "estimated net liability for the current year's taxation, after making allowance for losses of the tax group".

Analysis of the tax position would be impossible without the detailed note, a point which other "leading" companies could note when they prepare their reports.

Other notes explain the movement in major balance sheet figures, broken down into components.

But one item of the balance sheet has been rather blandly treated in managing director's review. Fletcher wrote land stocks down \$2,311,000, and included the adjustment in "non-trading items". The only reference in the report is:

"Also pleasing was the further progress made in disposing of assets and investments peripheral to the

mainstream activities of the Group. Tax-paid non-trading gains of \$3,734,000 were made on these sales. These gains were offset by substantial write-downs in the book value of continuing assets where the reduced market demand had made historical cost values unrealistic". UNBRIEF

That is an interesting way of disposing of \$2.3 million, even when the amount is related to the size of Fletcher Holdings.

The decision to raise \$11.8 million in specified preference share capital will raise its proprietorship ratio from 41 per cent. It was 50.5 per cent in 1978, but changes to item funding, and a slightly weaker working capital position (the still strong), eased its relationship.

Economic difficulties play part in the performance of such a wide ranging group. It would be interesting to know if there are other factors responsible for the steady reduction in return to average shareholders over the last years. In 1979 and 1978 return was 11.3 per cent having dropped each year since 1974.

## Small businesses face fundraising difficulties

by Peter V O'Brien

"THE difficulty of raising finance is the most common problem facing small business owner-managers," according to the annual report of the Small Business Agency, a division of the Development Finance Corporation.

Other problems cover a wide range of business activity. The Agency received 2255

enquiries in the period to March, 1979 (it commenced operations in June, 1978).

The report refers to 3150 problems from those enquiries. The breakdown is in table.

The agency referred people to outside agencies, and in some cases more than one referral was made in relation to a particular enquiry. This explains why the total of 2334

referrals is more than the 2255 enquiries received to March 31. The "referrals most often used by SBA counsellors" were:

Accountants 502, Bankers 272, Lawyers 172, Department of Trade and Industry 232 (General 107, Export liaison officers 125) Development Finance Corporation 349 (export potential 140, applied

technology 56, SBA 114, other 39) Miscellaneous 807.

Several small business managers-owners may need to be referred to services provided by Trade and Industry, and DFC and "miscellaneous". The large number of referrals to accountants, lawyers and bankers is intriguing. What are the firms' existing accountants, lawyers and bankers doing if people have to be referred to members of those professions? Or are the problems outside the expertise of the professionals already working with small business?

A third possibility, that some firms may be happily working on without professional assistance, is even more intriguing.

The report could not be expected to provide detailed information to answer those questions.

It seems to confirm a view about the nature of small business which appears in literature from similar agencies overseas. It says:

"A definite trend has developed. Manufacturers account for a high proportion of enquiries and from a review of files it is clear that about 50 per cent of these manufacturing clients exhibit export potential".

No doubt some manufacturers are enquiring about export techniques while others have technical production problems.

Others may come into the group of people who have an idea, coupled with general skill in making products based on that idea, but who lack the

Problem	Number of cases	Percentage
Raising Finance	518	17.40
New Business	446	14.16
Marketing and selling	380	12.35
Planning	350	11.11
Export-Import	292	9.27
Financial Management	202	6.41
Insufficient general management skill	180	5.71
Administration	169	5.37
Legal	93	2.85
Budgeting	88	2.83
Debtors and cash flow	80	2.54
Internal production	232	7.36
Other	3150	100.00

range of other business skills which large companies include in their corporate structure. A manufacturer may lack experience and information on where to find money to finance an expanding business.

The problem is aggravated if money is needed to bring new ideas to fruition, or if the risk is beyond traditional banking limits.

That raises another problem. The "venture capital" concept, whereby high risk activities are financed on the basis that large gains from some schemes will offset inevitable losses in others leading to an overall profit in the financing organisation, is a subject of debate overseas.

Large financial institutions prefer to invest in large companies. Their preference can effectively reduce the "pool" of funds available to the rest of the business community.

The preliminary findings of the Wilson committee in Britain suggest there is a shortage of profitability in

small United Kingdom companies, rather than a shortage of finance. The SBA here is working on a guarantee facility, which should help. We probably avoid the problem outlined to me by a British corporate finance expert with several years' background here.

"You find that 25 per cent of British small businessmen can make something and know how to sell. They do not know how to put a proposition to people from totally different social backgrounds who prefer not to know how to make and sell, but who control access to funds".

That comment was made with particular reference to City merchant bankers, but it is one aspect of a worldwide problem. It will be interesting to see if the SBA can devise eventually a workable venture capital scheme for New Zealand, perhaps based either on United States' systems or on the British Industrial and Commercial Finance Corporation.

## TV survives economic crisis

by Peter V O'Brien

THE economy may be in a mess, but consumers still want the baubles of an affluent society. Transvision Holdings Ltd, the Auckland-based TV rental firm, should be thankful that the colour television set (one of the symbols of affluence) is still in reasonable demand.

The recent annual meeting heard that the number of rental contracts at March 31 was about 250 per cent higher than at the same date in 1978. Company chairman John Balydon described the growth as "phenomenal", a strong term, which may even be an understatement in view of the massive percentage increase.

The sharemarket responded to the news, and pushed the shares up 20 cents in a week. The comment that two senior executives and their families have lifted their shareholdings

to about 40 per cent of the capital may have assisted the price rise.

Last week the price was \$1.80 so the scrip was selling at 8.85 times 1979 earnings of 20.23 cents a share, after excluding extraordinary items from the latest year's profit.

The dividend yield was 11 per cent on a payment of 11 cents a share which is covered 1.93 times.

A price-earnings multiple of 8.85 for a company in a basically luxury field (although luxuries have a tendency to become necessities in New Zealand) could also be described as "phenomenal". The annual report says "the economy is in a state of flux", another understatement, but the company is planning to "increase television placements and market share again in the current financial year".

The present state of the colour TV market should assist growth. The Department of Statistics figures for licensed television receivers show the trend.

The table gives statistics for privately owned and hired colour television sets in the last four December years, with the latter shown as a percentage of total colour sets:

December Year	Privately Owned	Hired	Hired as per cent of Total Colour
1975	139,585	25,048	15.2
1976	233,290	45,335	16.2
1977	313,290	66,874	17.6
1978	383,558	98,098	20.4

At the end of April, 1979, there were 508,336 licensed colour television sets in the country (about one for every 6.1 of the population), and 104,533, or 20.7 per cent, were hired. Rising retail prices have helped rental growth, although a combination of higher prices and general cost movements also affect the rental charges on new placements.

A substantial number of hired sets are placed in hotels and motels, but the growth in market penetration is tapering off.

Half a million colour sets is an impressive number for a little over 3 million people.

The increasing preference for rental, as shown in the table, should allow further growth in that section of the market. Transvision is well placed to take a good share of the preference.

It will be interesting to see whether the public continues the movement to rental when the time comes to replace existing sets. Colour television was introduced at the end of 1973, so the replacement market will take time to ap-

pear, and then only at a slow rate, because the initial market penetration was low. "Remember the days when showing off your colour TV was a social occasion — similar to the occasions of the early 1960's when the possession of a black and white set carried a social cachet, and gave the kids a higher status in the neighbourhood?"

It is worth repeating the point that rental agreements increase their profitability to the hirer the longer the agreement runs. A passage from Transvision's 1979 report gives the reason: "Profitability is limited in the early stages of a television rental contract, and although television placements have increased at an unprecedented rate during the year under review, it has still been possible to record a significant increase in profit".

The company has also done well on the sharemarket. The acquisition of Amalgamated Tele-hire helped the flow last year, but the figure is also rising as a percentage of total assets. Cash flow was 11.35 per cent of total assets at March 31, 1979, compared with 8.87 per cent in the previous year.

Transvision shareholders are doing well, but there may be room for further gains, assuming current financial policies are maintained in future, and that no problems arise with rental payments in tighter economic conditions.

## Exchange rates

As at July 19, 1979 \$NZ is worth:		Malaysia	276
Australia	.9042	Netherlands	2.06
Britain	.4460	New Caledonia and Tahiti	77.3
Canada	1.1924	Norway	5.96
Fiji	.8250	Pakistan	9.82
Japan	216.98	Papua-New Guinea	0.84
West Germany	1.8324	Portugal	48.8
USA	1.0223	Singapore	2.05
Austria	13.24	South Africa	5.5
Belgium	29.31	Spain	66.6
China	1.5391	Sri Lanka	0.82
Denmark	5.2650	Sweden	4.7
France	4.2710	Switzerland	1.62
Greece	36.78	Western Samoa	8.6
Hong Kong	5.2860		
India	7.7997	Selling rates supplied by G Bank	
Italy	825.52		

## Key indicators

Consumer Price Index — all groups base Dec 1977 = 1000	June 79	July 79	Aug 79
Building permits issued	1177	1047	+11%
Official Overseas Reserves	801.7m	807.7m	+1%
Registered Unemployed — incl those on special work schemes	\$120.1m	\$106.1m	-11%
NZUC Share Price Index	May 79	May 79	May 79
Reserve Bank Share Price Index	May 79	May 79	May 79

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# ECONOMIC INDICATORS

## EXTERNAL TRADE

As recorded in Reserve Bank record of Overseas Exchange Transactions.

	Period	Latest	Previous Year	% Change
<b>Exports</b>				
Meat	May 79	\$150.8m	\$92.5m	63.0
	May 79 yr	\$1176.8m	\$899.0m	31.0
Wool	May 79	\$736.7m	\$608.4m	21.0
	May 79 yr	\$736.7m	\$608.4m	21.0
Dairy Products	May 79	\$274.9m	\$137.5m	-46.0
	May 79 yr	\$274.9m	\$137.5m	-46.0
Forest	May 79	\$28.4m	\$20.3m	40.0
	May 79 yr	\$28.4m	\$20.3m	40.0
Manufactured	May 79	\$65.3m	\$38.9m	68.0
	May 79 yr	\$65.3m	\$38.9m	68.0
Total Exports	May 79	\$464.2m	\$339.5m	34.0
	May 79 yr	\$464.2m	\$339.5m	34.0
<b>Imports</b>				
Government	May 79	\$11.6m	\$17.1m	-32.0
	May 79 yr	\$11.6m	\$17.1m	-32.0
Private	May 79	\$300.7m	\$294.4m	2.0
	May 79 yr	\$300.7m	\$294.4m	2.0
Total Imports	May 79	\$312.3m	\$285.5m	9.0
	May 79 yr	\$312.3m	\$285.5m	9.0
Balance on Trade Transactions	May 79	+\$151.9m	+\$153.6m	1.0
	May 79 yr	+\$151.9m	+\$153.6m	1.0
Balance on Invisibles	May 79	-\$144.3m	-\$107.6m	34.0
	May 79 yr	-\$144.3m	-\$107.6m	34.0
Official Overseas Reserves	May 79	\$1043.5m	\$971.9m	7.0

## FREIGHT MOVEMENTS

Shipping Cargo carried	Mar 79	3010	3355	10.0
— 000 tonnes	Mar 79 yr	32,436	35,757	9.0
Rail Freight Carried	Apr 24, 1979	930	870	7.0
— 000 tonnes	Apr 79 yr	11726	12,335	5.0

## FINANCIAL

Reserve Bank Advances	Mar 28, 79	\$587.8m	\$1079.3m	-46.0
Trading Bank Advances	May 16, 79	\$329.8m	\$632.6m	-25.0
N.Z. Overseas Transactions				
— balance on all transactions	May 79	-\$179.4m	-\$41.3m	2.0
— value of goods sold	Mar 79 qtr	\$124.0m	\$121.4m	2.0
— value of goods sold	Mar 79 yr	\$333.3m	\$465.8m	14.0
Mortgage Interest Rates — average	May 79	11.05	10.71	3.0
Govt short-term securities — average yield	May 79	11.23	8.48	32.0
Govt long-term securities — average yield	May 79	12.95	9.99	30.0
Land transfers (value of land sold)	Mar 79	\$272.8m	\$220.0m	24.0
	Mar 79 yr	\$3542.5m	\$2550.4m	39.0
Mortgages registered (value)	Mar 79	\$190.5m	\$175.3m	9.0
	Mar 79 yr	\$2187.2m	\$1810.6m	21.0
Mortgages discharged (value)	May 78	\$87.5m	\$69.6m	25.4
	May 78 yr	\$998.8m	\$906.6m	10.2
Bankruptcies (number)	Apr 79	54	46	17.0
	Apr 79 yr	512	441	16.0
Sales tax collected (value)	Mar 79	\$32.5m	\$31.4m	4.0
	Mar 79 yr	\$336.6m	\$424.5m	-21.0
Total factor turnover (value)	Apr 79	\$40.6m	\$33.6m	21.0
	Apr 79 yr	\$477.1m	\$393.5m	1.0

## LABOUR FORCE

Industrial stoppages (working days lost)	Mar 79	83,455	88,226	-5.0
	Mar 79 qtr	375,480	452,582	-17.0
Normal weekly wage rates index	Mar 79	1147	1029	11.0
Effective weekly wage rates index	Mar 79	1019	1009	1.0
(Base 1977-1000)				
Vacancies at month end	April 79	1798	1412	27.0
Unemployment at month end	April 79	24,897	21,502	14.0
People on special work scheme at month end	April 79	25,598	13,584	88.0
Migration	April 79	-19,770	-14,972	32.0
Total New Zealand population	Mar 79 qtr	3,144,600	3,145,900	63.0
Births	Mar 79 qtr	51,522	53,246	-3.0
Deaths	Mar 79 qtr	24,804	25,934	-4.0

## PRODUCTION

Electricity generation	April 79	1686	1596	6.0
— Million kWh	April 79 yr	22010	21542	2.0
Coal production	Mar 79	166.5	168.7	-1.0
— 000 tonnes	Mar 79 yr	2071.2	2178.6	-5.0
Gas production	Mar 79	4007.0	4851.3	-17.0
— million megajoules	Mar 79 yr	55762.6	61819.1	-10.0
Motor spirit — petroleum prod.	May 79	167207	160657	4.0
— million litres	May 79 yr	1682419	1684875	175.0
Motor vehicles assembly	Mar 79	6378	4437	39.0
(no. of vehicles)	Mar 79 yr	63398	58416	9.0
Building work put in place	Sept 78 qtr	\$302.2m	\$302.4m	-13.0
(value)	Sept 78 yr	\$1140.7m	\$1308.9m	-13.0
Television sets	Dec 78 qtr	26219	23208	8.7
(units)	Dec 78 yr	39986	119086	-24.4
All plastic products	Dec 78	\$70.7m	\$60.6m	17.0
	Dec 78 yr	\$255.3m	\$252.3m	-1.0

## INTERNAL TRADE

Consumer price index (base 1977 1000)	Mar 79 qtr	1177	1047	11.0
Retail trade — total turnover	Feb 79	\$526.41m	\$464.5m	13.0
— current prices	Feb 79 yr	\$5830.0	\$5180.0	4.0
Total turnover	Dec 78 qtr	\$833.09m	\$802.05m	3.0
— 1974 prices	Dec 78 yr	\$3294.61m	\$3231.53m	2.0
Per head	Dec 78 qtr	\$463.01	\$391.6m	16.0
— current prices	Dec 78 yr	\$1860.0	\$1653.2m	13.0
— 1974 prices	Dec 78 qtr	\$264.64m	\$236.3m	12.0
	Dec 78 yr	\$1049.34m	\$1038.9m	1.0
Wholesale trade total turnover	Dec 78 qtr	\$1518.2m	\$1279.3m	19.0
— current prices	Dec 78 yr	\$6096.0m	\$5369.9m	13.0
Stocks — Manufacturers	Dec 78 qtr	\$2079.2m	\$2068.6m	1.0
— Wholesalers	Dec 78 qtr	\$872.4m	\$821.0m	6.0
— Retailers	Dec 78 qtr	\$880.0m	\$879.4m	6.0

## Economic News

### Industrial Stoppages

The following table contains information released by the Department of Statistics on industrial stoppages for the quarter ending 31st March 1979.

Item	March 1979 Quarter*	March 1978 Qtr
Total number of stoppages	177	8
Total duration	4,720	2
Number of workers involved	51,332	540
Working days lost	88,354	828
Average days lost per worker involved	1.72	1.52
Approx. loss in wages (\$'000)	2795.6	22

## Sharemarket News

### Bonus Issues of Ordinary Shares Pending

Company	Ratio	Meeting	BKS Close Inclusive
Airwork	1:10	24 8	1 Sep
Aurora	1:5	NFI	—
BNSW	1:5	21 7	1 Aug
+ Ceramco	1:10A	—	1 Sep
Cometair	1:10	25 7	15 Aug
Eadams	1:10A	11 8	1 Sep
Eldersgm	1:4	15 7	1 Aug
Healing	1:10	25 7	15 Aug
Indchem	1:5	11 11	—
Jamesay	1:4	15 7	31 Jul
Lustroid	1:3	15 7	1 Aug
Mim	1:4	21 8	12 Oct
+NZMC	1:5A	—	16 Aug
+NZSteel	1:10A	9 8	15 Aug
+NZTS	1:5A	24 8	31 Aug
Progent	1:5	24 7	28 Jul
Smithbio	1:5	1 8	18 Aug
School	1:10	21 8	25 Aug
+Wilneil	1:8A	14 8	18 Aug

\* = Shares arising from bonus issue participate in dividend, see schedule  
 + = Additional or amended information

### Current Debenture Issues

Company	Opens
A.A. Finance	14 Feb 1979
Allied Finance	10 Mar 1979
Auric Corporation	1 Jun 1979
Aust Gintarite	22 May 1979
BNZ Finance	18 Jun 1979
Bowring Burgess	28 Jun 1979
Broadlands	15 Mar 1979
Challenge	11 Apr 1979
Credit & Investments	1 May 1979
Crown Finance	1 May 1979
Finance & Discounts	18 May 1979
F & P Dealer Rentals	15 Jun 1979
*General Finance	22 Feb 1979
General Motors	10 Apr 1979
Foodstuffs (Otago Southland)	11 May 1979
International Harvester	5 Mar 1979
Lake Ohau Ski Field	26 Feb 1979
Lombard N.Z.	14 Jun 1979
Marac Holdings	5 Mar 1979
Medical Securities	8 Mar 1979
N.Z. Finance	1 Feb 1979
Peterson & Barr Finance	2 Feb 1979
Retail Developments Ltd	29 Jan 1979
South Canterbury	31 Jan 1979
Tappenden	21 Feb 1979
Transvision	28 Feb 1979
U.D.C. Deb Stock	5 Jun 1979
Unsecured NTS	—

\*Changed Rates

### Share Price Index Statistics April, 1979

Year to Date	High	Low
NZUC	343.37 (Apr)	317.10 (Feb)
Reserve Bank	336.68	325.80
Month to date	High	Low
Year to date	1483 (Apr)	1344 (Feb)
Month to date	1433	1378

### MONTHLY TURNOVER

Year to Date	High	Low
1979	1483 (Apr)	1344 (Feb)
Month to date	High	Low
1978	1433	1378

## NBR SHAREMARKET SURVEY

WEEK ENDING JULY 19, 1979

1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	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## Paring the millions in the medicine cabinet

by Belinda Gillespie

HEALTH Minister George Gair has applied himself assiduously to the task of telling health professionals what big spenders they are. Hospitals, in particular, have felt the stick. Doctors and pharmacists, too, have become familiar with the health expenditure data which Gair trots out at their annual conferences.

The Budget did not fulfil the worst fears of health administrators. With the announcement of restraints on hospital board grants earlier in the year, Gair's biggest gun had already been fired.

On June 21, PM Rob Muldoon simply pointed out the growth in health expenditure to 5.7 per cent of GNP, and called for restraint through "controlled utilisation of resources."

He made the predictable call for "continuing change in emphasis from institutional to community health care," backed up with \$8.7 million the Government is providing this

year to finance "approved community health projects," and references to other developments in the public health field.

In view of the continued spending on hospitals of \$682 million — a healthy slice of the health estimate of \$1040 million — the few crumbs the Government is casting to community services can hardly be seen as a decisive change in emphasis.

But if they say it long enough and often enough, and if all the children in the world clap hands, perhaps the Government vision of a cheap, community based health service, where individuals face up to their responsibilities and stop smoking, drinking and overeating but not enough to undermine the liquor, tobacco or dairy industries) will come true.

Skimmed lightly over was the financial support to be given to an executive manpower planning workshop.

Behind this is the projected over-supply of doctors and other health professionals, the



GOOD HEALTHKEEPING

threat of a shortage of jobs in the health services in the near future, and cutbacks of student intake to training schools.

Even more dramatic moves may be planned, such as closure of the Wellington or Christchurch Clinical Schools of Medicine, which were opened only a few years back in the then firm certainty that doctors would be thin on the ground.

Private hospital patients are among the few to benefit substantially from this year's health spending, with \$5 in-

creases in daily benefits for medical and geriatric patients, and \$3 for surgical and maternity patients.

Gair has been making threatening noises about pharmaceutical benefits since the beginning of the year.

There were heavy pre-Budget hints that a prescription charge would be introduced. "I wonder whether the patient would value his medicine more if he had to pay a cost?" Gair asked the doctors at the New Zealand Medical Association conference in April.

After all the softening up, the Budget did no more than point out the Government's concern at the 18 per cent growth in expenditure projected in the Estimates, to an expected total of \$133.7 million.

Though a prescription charge had been considered, the Government had decided "not to proceed with this at the present time."

Instead, discussions were to be pursued with doctors and pharmacists "in an effort to find administrative ways "to



GEORGE GAIR... biggest gun fired.

reduce the rate of growth of the drug bill.

Gair called doctors and pharmacists together for a meeting on cost control on July 24.

For the first time for years, Health Department spending on drugs in 1978-79 was inside the budget. The vote last year was \$115,590 million. The actual cost was more than \$2 million less.

The Health Service Computer, according to the recent report from A.C. Shalles, the Auditor-General, could be a more fruitful area for the Minister to consider savings.

The actual cost of the programme this year had been \$23.7 million, as against the 1976 Health Department estimate for \$18.4 million on March 1980.

Last year, according to the estimates, the data-processing services exceeded their target by about \$600,000 or nearly 10 per cent. They have taken a cut for next year of more than \$1.5 million.

But for those in the health services, the question is not much the current cost of a computer service, but while the Health Department needed an "all singing, all dancing" computer.

Putting more resources in a bad design system — that the dubious value of a big central computer, where a simpler local one would do better job — is throwing up money after bad.

Further, of the \$25 million spent on the computer, it has been no direct benefit for patients — and if such advice — "further development should not be pursued until the present systems are operating satisfactorily" is taken, it will be none in the foreseeable future.

## Exhibitor boycott bid fails to win support

by John Draper

AUSTRALIAN exhibitors are boycotting Wellington's World Trade Fair next month.

But Australian pressure on other exhibitors to withdraw, particularly those from Scandinavia, has failed.

Fair organisers claim the Australian Trade Commissioner convened a meeting late last year at the United States Embassy in Wellington to discuss the fair's future.

After that meeting, the Australian Government made it known that it would not be supporting Australian manufacturers in any way at this year's trade fair.

In the past, the Australian Government has been one of the main supporters of the fair which is held alternately every two years in Auckland and Wellington.

The length of the fair, up to 21 days, and the admission of the public have been the points the Australians objected to most.

This year, the fair has been reduced to 13 days. But the promoters are unmoved by suggestions that the venue should be Auckland.

Exhibitors want a shorter fair.

They make their money during the three or four trade days and regard the public days as an unwanted cost.

The promoters want the public in. That's how they make their profits.

This year around 400,000 visitors paying \$1.50 a ticket are expected.

Several years ago the Australians decided to place more emphasis on the Auckland Easter Show and came to an arrangement with the organisers for a permanent exhibition site.

That arrangement has ended, but so has Australian involvement in world trade fairs.

Australian Trade Commissioner Doug Gates says there has been no organic boycott.

"That is the wrong interpretation," he said. "If Australian firms wish to participate then that is a matter for them to decide."

Australian firms or agents would not be getting any Government support in exhibiting, he said.

Scandinavian exhibitors originally intended to follow the Australian through the fair have come back in much to the organisers' relief.

This year's show, from August 21 to September 2, is bigger, and the organisers hope better, than any before.

China will be the largest exhibitor with the USSR, Britain and Japan vying for second place.

Other East European countries as well as the Arab block, with the exception of Malaysia, will be well represented.

The British have reduced their commitment, though much of the space they have taken in the past will be used by the New Zealand Motor Corporation.

Cars, it seems, will dominate the fair.



"It's not money we want but know how. Tell me—how did you manage to stop foreigners owing your oil?"

## Refugees: an economic plus

by John Draper

REFUGEE economics dictate that New Zealand will grow richer by giving a home to 1800 Vietnamese boat people.

Refugees according to the influential London based Economist, are net creators of wealth.

Their resilience and determination to provide a good standard of living for themselves ensures they are not a burden on their benefactors for long.

And New Zealand has a long history of extending a helping hand.

In 1944, homes were found for 700 Polish orphan children. After the war Russian Jews were resettled followed by Hungarians in 1956, Czechs in 1968 and Ugandan Asians and Chileans in the 1970s.

All have been readily absorbed into the New Zealand way of life. The Vietnamese boat people and refugees from Kampuchea are the biggest single group to be taken by New Zealand.

By mid-1981, 3500 will have settled here. Each will cost the taxpayer around \$1000 for the trip from a camp in Malaysia or Thailand and three weeks in the Mangere reception centre.

The centre, which can take 134 refugees at a time when fully stretched, or 100 more comfortably, is operated by the Labour Department with

staff help from the Education Department.

Social Welfare chips in with a little cash, but the bulk of the costs and help is provided by volunteer groups.

The Inter Church Commission for immigration, the ICC, is the largest. But more recently the Rotary organisation has begun sponsoring refugee families.

Immigration Department assistant secretary Peter Jones admits the settlement programme works so successfully only because of the voluntary groups.

"We appreciate their work very much," he said.

Jones says the criteria for selecting refugees from the camp is "very simple".

First, they must be designated refugees by the United Nations and then they must be able to adapt to the New Zealand way of life.

In practice, it means the young family who may have relatives already living in New Zealand and judged to be most in need gets accepted.

Sometimes grandparents are allowed in, particularly where the whole family has escaped together.

Skills vary. Many are fishermen, soldiers and manual workers. But there are a number of professionals, such as teachers, doctors and dentists, among their ranks.

Morale is said to be high among the refugees, most of whom originally hoped to go to the United States.

After an introduction to the New Zealand way of life on basic language classes the refugee is passed on to a sponsor.

Sponsors are closely scrutinised by the ICC and the Immigration Department.

Often with the backing of the church or a group of friends, they find and rent a home for the refugee, furnish it and find a job for the breadwinner.

Second-hand clothing helps, specially for the Indo-Chinese who find the local winter hard to adjust to.

And the refugees take surprisingly little time to get on their own feet and be self supporting.

Despite high unemployment and the economic downturn, jobs for the refugees are not difficult to find.

ICC vice-chairman Jack Nolan says: "If people really want to work there is work to be found for them somewhere."

For many, the first job is menial but once the refugees

have learnt to speak and write English, they frequently move to more skilled and better paid occupations.

Few have fallen on hard times and needed the benefit of further state support.

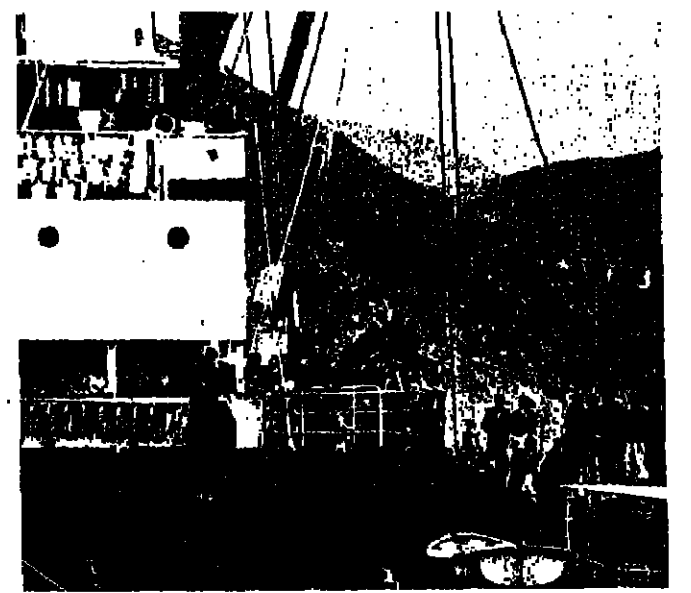
In the tradition of most immigrants, the refugees are eager to establish themselves in their own homes and frequently in their own businesses.

The ICC claims New Zealand is not doing enough for the Vietnamese boat people, who are leaving their homeland in a variety of craft at a rate of 50,000 a month.

More than 150,000 have arrived on beaches from Hong Kong to Indonesia this year bringing the total waiting resettlement to around 300,000.

The Economist estimates that at least one million more ethnic Chinese and an unknown quantity of Vietnamese refugees may be squeezed from southern Vietnam by the Communist Government.

At present, for every one being resettled in China, and



EXODUS... workforce floats in hope.

the United States (the two nations that have done most so far), France, Britain and other Western nations, three more are arriving in the already crowded camps.

The ICC says New Zealand can easily cope with more.

But the Immigration Department claims that 100 a month is "a realistic rate".

ICC vice chairman Jack Nolan says 2000 a year could be handled.

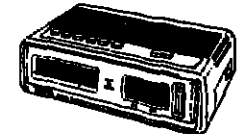
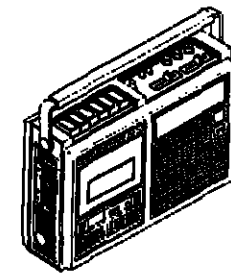
"But I am dead against those who advocate bringing in people in their thousands, settling them in special camps. People coming here for refuge want to become citizens of a free country, they do not want to be underprivileged again," he said.

## Introducing the Thorn CR2-switched on for fast movers.

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The Diploma covers the following functional areas in detail: Personnel Management, Industrial Relations, Training and Development. It also deals with Business Law, Behavioural Science, General Management, Business Statistics, Economics and Accounting.

### What are the objectives of the DIP PERSONNEL course?

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If you are already working in the areas of Personnel, Training, and Industrial Relations and wish to widen your expertise and knowledge, this course will be of great assistance.

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### Who is eligible for admission?

Graduates with at least 2 years experience, or non-graduates with the necessary expertise and training may apply.

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### Who to contact?

If you wish to apply for the Dip. Personnel or if you wish to know more about this programme please write to:-



The Director  
Advanced Business Programme  
**UNIVERSITY OF OTAGO**  
P.O. Box 56, DUNEDIN



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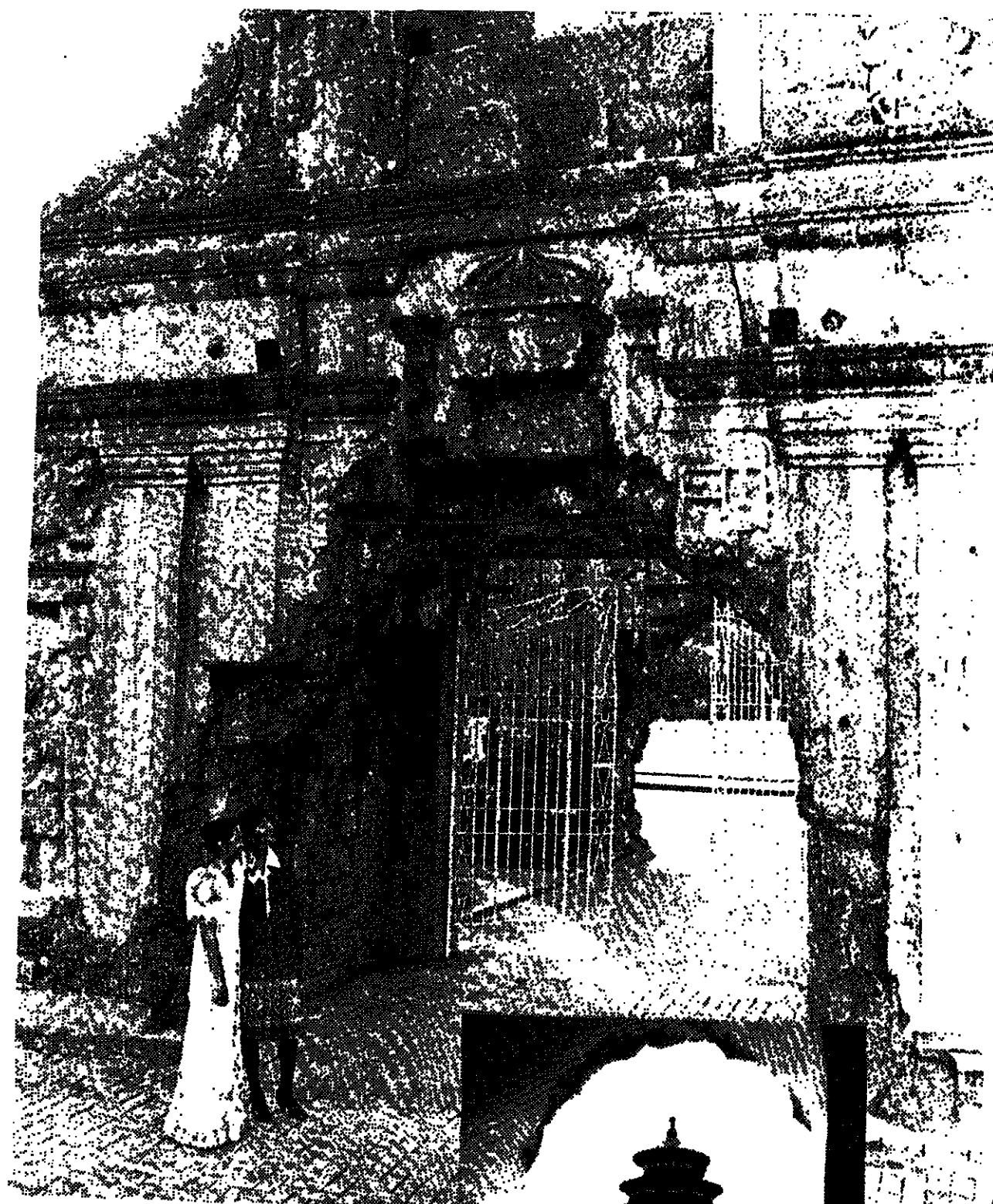
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\*Subject to Government approval.

## Small fry parry in insurance mass marketing

by John Sloan

MASS marketing of life insurance in New Zealand has not been a battle between the giants, but rather has been fought among the midgets, such as APA Life Ltd and Capital Life Insurance Co.

Both these companies continue to extensively direct mail advertise life insurance. Obviously the approach is successful.

APA has adopted a similar approach to market a direct mail medical care scheme.

Both companies have adapted the direct mail technique from overseas, tailoring the approach to the peculiarities of the New Zealand life insurance market.

Significantly, both the APA and Capital Life attribute their success to market research which detects what the public wants, then designs the insurance policy to meet that need.

Last year, Capital Life became the first life insurer in New Zealand to sell term life insurance by mass marketing methods. Its results for the past 10 months are:

- Term life insurance policies issued through mass marketing — 983;
- Sums assured — \$41 million;
- Average sum assured per policy — \$42,575;
- Annual premium income — \$183,000;
- Average annual premium per policy — \$190;
- Number of lives insured — male 950 and female 310;
- Age of policy holder at commencement: Under 30, 10 per cent; 30—40 38 per cent; 41—50 29 per cent; over 50, 23 per cent.



## Long-term policy brings long-term rewards

ARGUMENTS against term insurance were expressed by the retiring general manager of the AMP Society, K Steel.

Steel linked the value of permanent life insurance protection with the long-term benefit of the country.

The AMP Society has significant interests in Australia in mineral mining and pastoral farming. "But

be turning the clock back to 1855 — the date when AMP ceased to emphasise term cover and began to provide whole-of-life cover."

Advocates of term insurance were using the argument that customers were better off renting their insurance protection than buying it. "The fact is that you can renew most rental contracts at any age except life insurance," Steel said. "At 60 or 70 the risks are high and the premiums reflect this."

"In putting our emphasis on whole-of-life insurance, not only are we doing what is best for our policyholders' personal interests, but we are doing what is best for everybody's interests."

"The long-term nature of whole-of-life insurance enables insurance companies to make long-term investments which will benefit the economy as a whole."

The AMP's entry into mining and pastoral farming in Australia were examples of how large amounts of capital allied to "scientific know-how and marketing skills" could be invested medium to long-term to create assets which previously remained undeveloped, Steel said.

"Similar developments could take place in New Zealand," he said. "But they will only be possible if the industry base is one of long-term investment for long-term rewards."



KEITH STEEL ... allows long-term investment.

these long-term investments were only possible because the society was committed to a philosophy of providing whole-of-life protection to its policyholders," Steel said.

"There is a tendency today for some commentators to advocate term insurance as the only satisfactory form of protection in times of high inflation."

"We do not agree. If we were to follow this advice we would

## Liability becomes real

TO ATTRACT insurance "invisible" overseas earnings the 1978 Budget promised "that syndicate investment gains derived by a New Zealand member of Lloyds syndicates will be exempt from tax, from April 1, 1979".

Each of the syndicates 110 members is being asked to contribute \$250,000 to meet the losses. They could be asked to pay more.

Massive collapses of Lloyds syndicates are rare, but the recent incident shows they can occur.

Any New Zealander considering membership should realise that Lloyds is the same as any other investment — the risks exist along with the rewards.

or opt out of their liability.

This unrestricted personal liability is becoming very real to members of one Lloyds syndicate, which encountered massive losses in 1976-77.

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Any New Zealander considering membership should realise that Lloyds is the same as any other investment — the risks exist along with the rewards.

Features of this are the high aggregate sum insured and the significant portion sold to the 30 to 40 age group.

The latter is attributed to "high inflation and economic uncertainty highlighting the need for topping up cover at the lowest possible cost."

Peter Crellin, managing director of Capital Life, said that term life insurance can be a temporary solution to problems but remains the least expensive method of protecting one's dependants.

Crellin predicts that the worldwide increase in the sale of term insurance will also occur in New Zealand.

Capital Life has moved into selling group term insurance to large groups such as the 12,000-strong Timber Workers Union. Crellin predicts bulk group selling is a growth area for life insurance and intends capitalising on their momentum.

Capital Life openly canvasses life insurance by offering mortgage finance. A circular for its Union Member Balanced Savings Plan promises "mortgage money up to \$40,000 is available".

Such promises invite criticism from other life offices.

John Good, a life assurance consultant representing the Prudential Assurance Company, wrote to NBR: "As a life assurance underwriter for many years I am very concerned that Capital Life are introducing a further mortgage orientated policy known as Farnfund."

From past experience with their Cahila Plan I personally have had several clients who surrendered Prudential and other policies in favour of Cahila Plan and were unable to obtain mortgage money after the qualifying period.

Inevitably, if shareholders desire an attractive dividend there is less to distribute to policyholders. This conflict probably accounts for the



JOHN GOOD ... reflects on discontinuance.

Therefore I am concerned that the same could happen with Farnfund."

Good concludes: "Also if I personally have experienced this problem, how many more agents in New Zealand have experienced the same? And furthermore, how many disgruntled policyholders must they have, which surely reflects in Capital Life's high policy discontinuance."

Good's criticism is echoed by other life offices, which commented on Capital Life reducing its bonus rate to from \$15 per thousand to \$10 per thousand which is considered the minimum bonus level.

As a limited liability company, Capital Life must return a profit to its shareholders and allocate bonuses to policyholders.

Asked how the big life offices viewed Capital Life — "a threat or a minor irritant?" — Crellin conceded "We're small and they indicate we're an irritant. But we're growing, we've got fresher ideas and we're not hobbled by a large agency force."

Stuart Wilson, the retiring sales manager for New Zealand of the National Mutual Life, said changes in social



STUART WILSON ... untapped new market.

recent reduction in Capital Life's bonus rate.

Crellin, on investment returns, openly admits: "The investment performance of life assurance has been overtaken by the increasing interest rates available through other savings and investments. A typical example would be Government savings stock offering 11 per cent a year for as little as 12 months. Also savings banks and building societies are able to offer investment rewards greater than ordinary insurance provides."

Wilson said: "There is now much innovation among the leading life offices to provide products that are in harmony with consumers current needs. There have been greater efforts to find out what those needs are and to endeavour to meet them."

The skilled advice of the life office's professional agent was still much sought after, he said.

"My personal belief is that the professional agent will continue to be the major force through which the overwhelming bulk of life insurance in this country will be sold."



PETER CRELLIN ... predicts increase

structures and family patterns "have created a new market for life insurance that is still virtually untapped."

When Wilson began his career with National Mutual in 1932, only a small range of simple and well tested policies were sold. Now the range of contracts offered is wide and varied.

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The skilled advice of the life office's professional agent was still much sought after, he said.

"My personal belief is that the professional agent will continue to be the major force through which the overwhelming bulk of life insurance in this country will be sold."

The Australian Railway Research and Development Organisation (ARRDO) has been established to provide an independent national centre for analytical research into administrative, economic, planning and policy matters relating to government railway systems in Australia. Among its aims are to improve the overall efficiency of rail systems and to reduce the impact of railway deficits on government budgets. ARRDO's research is directed towards organisational and management activities; there is no intention currently to undertake technological research.

ARRDO is seeking to make two senior appointments to newly established positions within the Organisation.

## DEPUTY EXECUTIVE DIRECTOR

The prime role of the person appointed will be to ensure that the ARRDO program is carried out efficiently and effectively. To the extent necessary for this role the Deputy Executive Director will be involved in the formulation of program proposals, and in liaison with relevant people outside ARRDO. The Deputy Executive Director will report directly to the Executive Director and, on occasion, deputise for him.

It is likely that the person appointed will have strong tertiary qualifications in one or more disciplines, and considerable experience of problem solving in a transport environment, preferably rail. Strong ability to implement of soundly based approaches to the situations confronting government rail systems in Australia is a key requirement for ARRDO. The Deputy Executive Director will therefore need to have demonstrated capabilities in directing R & D effort to this end. Experience in managing in an R & D environment is essential, as is the ability to establish effective communication with groups involved in ARRDO activities.

## MANAGER, OPERATIONAL PLANNING DIVISION

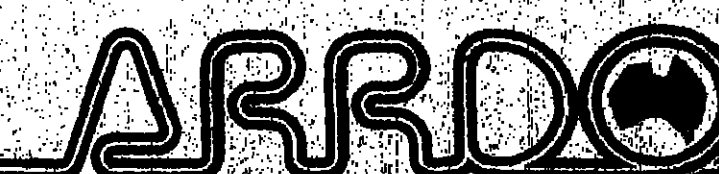
As one of three divisional managers reporting to the Deputy Executive Director, the Operational Planning Manager will have prime responsibility for divisional aspects of the ARRDO program. The appointee will be expected to identify the most appropriate divisional program, effectively promote this to top management and the Board, acquire and develop the necessary resources for executing the program, and direct staff in program execution. Effective communication with user groups and other planning professionals will be essential. The successful applicant will have at least a good first degree in a numerate discipline. The person will have had significant experience both as practitioner and as a manager in an applied research environment. In essence, a person familiar with a systems approach to defining and resolving problems is sought. Additionally, the person appointed will be capable of effectively leading and developing staff.

## Salary and Conditions

The terms of appointment are currently being finalised. A salary of approximately \$30,000 for the Deputy Executive Director and \$27,000 for the Divisional Manager, can be taken as a guide. Conditions of service are likely to be similar to the Australian Public Service.

Assistance will be provided in relocating the appointee and family. Further information about ARRDO can be obtained from the Secretary, ARRDO, 578-576 Lonsdale Street, Melbourne, Victoria, 3000, Australia.

Applications, which close on Friday, 24th August, 1979, should be marked "Personal" and addressed to the Executive Director, ARRDO, at the above address.





## Souvenir shops neglect Japanese tourists

by Wayne Brittenden

"NEW Zealand has been neglecting the shopping needs of Japanese tourists", says Bunichiro Suzuki, manager of the international section of the corporate planning department of the Japan Travel Bureau, Japan's largest travel firm.

Suzuki has made several trips to New Zealand, and he feels that "special arrangements" should be made for Japanese visitors before the expected boost in numbers when direct air services begin next year.

"If New Zealanders want to

provide hospitality, they must make Japanese travellers more welcome by providing better shopping facilities.

"Many arrive at weekends, and Sunday especially is a day when it's impossible to visit any stores. New Zealanders have to understand the origins of the Japanese craze for souvenir buying — it's taken very seriously by most travellers, because it's seen to be a duty."

Suzuki explains that in early Japan, the only travel permitted among the common people was for religious pilgrimages. Representatives or pilgrims were given

farewell gifts, usually money. When they returned, they brought back souvenirs from the temple as a token of their worship on behalf of the villagers. This was seen not only as a gesture of repayment, but also as proof of the journey.

According to Suzuki, New Zealand's hotel souvenir shops generally contain a small selection, poorly presented. "More information about what is a typical New Zealand souvenir is required", he insists.

"Clearly, this is in the interest of New Zealand too. There's a need for more places

where those tourists can spend their money.

"They're in a holiday mood, and they're more than willing."

The outspoken Japanese travel executive also has a few cryptic words on Maori culture.

He says New Zealand publicity centres too much on Rotorua — "rather like a Red Indian reservation, instead of as part of New Zealand as a whole".

Several years' experience in

London has developed a sense of disappointment with his own countrymen: "Travel to most of them means continually moving. While you're moving you see the scenery and the goal isn't generally so much to reach a destination as to keep moving."

"Japanese tourists expect something to be given to them; they want to have a packed programme because if they have too much free time they feel at a loss and don't know what to do."

Suzuki said the average Japanese traveller is matured, and while New Zealand and other countries had been successful in promoting "destination" tours, in Japan such programmes had no appeal unless they were for a specific purpose and feature a crowded schedule.

Wayne Brittenden is New Zealand's correspondent in Tokyo.

## Headhunter harvests benefits

EXECUTIVE headhunter and management consultant John Wareham is finding rich pickings in the Big Apple.

New York executives were falling over each other to get into a seminar given by the New Zealand-born founder of Wareham Associates at the Waldorf Astoria Hotel recently. Many were turned away.

Wareham founded his business in Wellington in 1964 and now has offices in Christchurch, Auckland, Melbourne, Sydney, Chicago and New York, where he now lives.

And like other recent New Zealand business magnates, Wareham is breaking into print.

A "substantial five figure advance" has been made by a New York publisher for "Secrets of Corporate

Headhunting", due for release next Spring.

The book is already being billed as the executive recruitment agent's answer to David Ogilvy's best selling "Confessions of an Advertising Man", also from Atheneum Publishers.

In between chapters Wareham is returning home to deliver his successful seminar "Managing people for profit" in Wellington, Christchurch and Auckland.

The package is being advertised as "an intensive two day management seminar for the executive charged with the responsibility of achieving results through people".

Beginning at 9 a.m., "prompt", the seminar will cover topics ranging from how to build a productive, stable, satisfied and synergistic organisation, how to motivate



John Wareham, an organisation and management consultant, is the author of "Secrets of Corporate Headhunting".

## Advertising Agency Executives, Advertising Managers, Sales Managers, Marketing Managers, Managing Directors, The Media.

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## Actors reach new deal

AFTER years of wrangling over contracts with little success, models and actors will get a better deal from the advertising agencies who hire them to make commercials.

Just how much better the deal will be, remains to be seen when negotiations with the association of accredited advertising agencies are finalised in the form of a new contract expected in the next few weeks. But as far as the models and actors are concerned, anything has to be better than the contract they have worked under for the best part of 20 years.

There are 1000 models and actors making a part-time living from commercials. Five years ago they joined Actors Equity and simultaneously advertising agencies found themselves facing new demands.

Nevertheless, the contract which actors equity spokesman Don Farr describes as "totally unfair and unreasonable" has remained in use.

Excerpts from the contract read:

"I, hereby set over and assign to you absolutely the copyright and any other right in or over the said works including the right of reproduction thereof either wholly or in part or in use with any other works of whatsoever nature and whether for public or private use, or in any manner howsoever as you in your absolute and unfettered discretion may think fit and for all or any advertising purposes whatsoever or any purpose associated with advertising.

"I acknowledge and agree that you shall be at liberty at any time and from time to time to use the said works and any reproductions copies extracts or excerpts thereof in any manner or form and whether retouched, dubbed or altered in any manner whatsoever, as you in your absolute and unfettered discretion may think fit and in any medium whatsoever and either separately or in conjunction with any other material of any advertising nature or non advertising nature and I hereby expressly authorise you or any person authorised by you to attribute to me in any advertisement of whatsoever nature conveyed by whatsoever medium any statement expression comment or words as you or they may desire to use."

In short — once the model had been filmed, photographed etc the agency was able to do whatever it wanted with the

material, indefinitely. This quite frequently left the model actor embarrassed, overexposed and without redress.

The current rate for appearing in a 30 second commercial to be used for one year is \$700.

Often, says Farr, models and actors have been offered far less than that.

"It has been impossible for a model or actor to set a fee for a job because it has been difficult to find out what is going to be done with the material," he said.

"An agency may have only intended an ad for short-term local use, but if their client likes it, it could be on television night after night for a year or two. When this happens the model is overexposed.

"If the advertisement is successful, the model is associated with the product and is left unemployed because of his or her overexposure.

"So far, agencies have insisted on their freedom very much at the expense of the models and actors," he said. Grev Wiggs has been negotiating on behalf of the advertising agencies.

It's understood that the new contract will enter for individual mediums (for example television, press, etc), that it will state rates for specific mediums and specific jobs and state the end use of the work.

Wiggs couldn't comment on whether models or actors used for long running or high exposure work would be compensated on a royalties or "residuals" basis — this was still under negotiation.

Currently, these payments are made only to models and actors with "strong bargaining power," Wiggs said.

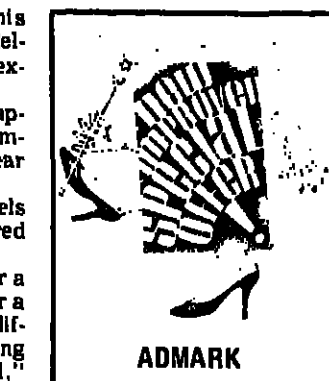
## Chief pushes for cleanup

NEWLY elected Business Press Association chairman Wendy Pye is making it very clear to member publishers that she intends to clean up the business press image.

This done, Pye said, the association would launch a campaign to promote the specialised business media to advertising agencies.

Pye said she would also ask the 4As for a system of ad agency accreditation for those buying space in member publications.

Pye's "clean up campaign" began last month with a directive stating that from January 1980 all member companies will have properly audited circulations for all



their publications.

Audits may be issued either by the Audit Bureau of Circulations of New Zealand or by the Australian counterpart.

Media buyers in the ad agencies welcomed the move. One said: "Without an audit we have to take the publisher's word that his circulation is what he says it is".

Pye's move is supported by Glen Lenoel, association vice president and publisher of IPC Business Press (Travel Trade, Cert, Logging, and Building Material News).

Lenoel said: "New Zealand is the last country in the in-

dustrial world where all business publications are not audited."

There are 292 business and trade publications in New Zealand. Of these, 18 are audited by the ABC.

Ninety of these 292 publications belong to association member companies. Seven of these are audited, and are published by four members.

The four companies are: IPC Business Press, Merchantile Gazette, Fourth Estate Group (National Business Review) and Shortland Educational Publications (Pye is managing editor of Shortland).

Thus for the association has lost one member over the audit issue. Mitchell Publishing (Grocer Review, Travelog, and Apparel) resigned.

There appear to be two distinct viewpoints on the question.

One school of thought holds that the business press is in need of a purge to eliminate those who publish little more than handout material and exaggerate circulation figures

to sell advertising space.

Members of this school ask why any publisher should refuse to have his circulation audited since the cost is only \$100 or so.

An opposing school of thought argues that audits place an undue emphasis on circulation, when, with a specialised publication, it is often not how many, but who reads it that counts from the advertiser's point of view.

The upshot of the audit controversy is likely to be a reduction in association membership from the present 23 members to 15 by Christmas.

The possibility that some members might be lost on the way does not seem to worry Pye.

"If we want to be heard as a serious part of the publishing industry, to promote ourselves to the advertising agencies, we've got to put our own house in order first," she said.

"The BPA has been in existence for 11 years and what has it achieved? We either take a positive approach or close down the association," she said.

Pye and Lenoel were in Wellington talking to the 4As, the other day, about agency support for their drive for audited circulations and for a system of accreditation for agencies.

Both Pye and Lenoel complain that the business press is receiving an increasing demand for the 20 per cent agency commission from a growing number of small ad agencies with dubious financial backgrounds.

They would like the 4As to set up a system of accredited agencies to deal with BPA members similar to that available to the Newspaper Publishers' Association.

NPA accreditation is based on the volume of business offered by an agency. Accreditation for the BPA would probably not be based on volume but simply take the form of a credit check of the agency concerned.

Another object of Pye's visit to Wellington was to present a submission to Postmaster General Ben Couch, complaining about the heavy impact the 80 per cent increase in magazine postal rates will have on the business press.

## How to burn rubbish without upsetting the neighbours

A new, and very simple method is being perfected. The old garden incinerator is not part of the plan.

The aim is to gather up the vast amounts of domestic and commercial rubbish generated every day in urban areas. Compressed into dense pellets, it'll burn beautifully in solid fuel, home space heaters.

There's a double benefit to the idea. First, the fuel will be cheap — very cheap. And there's plenty of it. Secondly, it will help solve the growing municipal rubbish disposal problem.

Rubbish pellets could provide an apparently limitless supply of household heating energy. This enormous potential is being researched by Environmental Ethics Trust, a scientific group formed in Auckland three years ago.

Its primary aim is to teach resource conservation and to recycle all kinds of waste materials. During the past 12 months, the Trust has received financial support from Mobil Oil New Zealand Limited through a special cash award related to the Mobil Environmental Grants programme.

This award has enabled it to continue research into rubbish compacting techniques. Now it's discovering an amazing number of ways that rubbish pellets can be used as a fuel.

Wairimu Industries Limited, last burned a batch of pellets in one of the solid-fuel space heaters

it manufactures. The results were carefully monitored. Rubbish pellets churned out heat just as effectively as coal, wood and other recommended fuels.

True, the pellets burned a lot faster. That's only a technicality. The compacting process will be modified to produce a higher density in future.

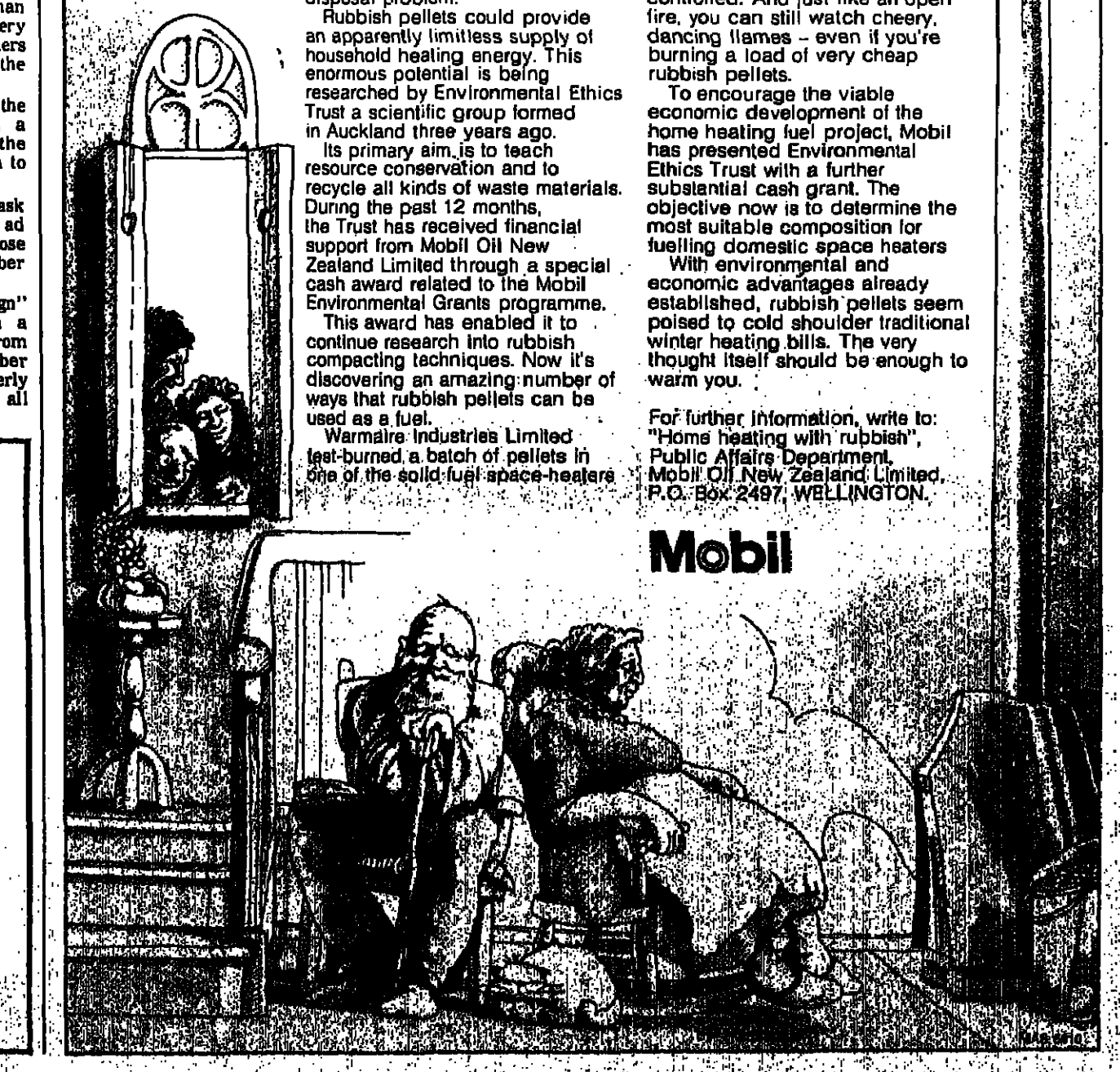
Not that pellets are ever expected to burn as slowly as coal. But solid fuel space heaters don't gobble much of anything. The burning rate can be controlled. And just like an open fire, you can still watch cheery, dancing flames — even if you're burning a load of very cheap rubbish pellets.

To encourage the viable economic development of the home heating fuel project, Mobil has presented Environmental Ethics Trust with a further substantial cash grant. The objective now is to determine the most suitable composition for fuelling domestic space heaters

With environmental and economic advantages already established, rubbish pellets seem poised to cold shoulder traditional winter heating bills. The very thought itself should be enough to warm you.

For further information, write to: "Home heating with rubbish", Public Affairs Department, Mobil Oil New Zealand Limited, P.O. Box 2497, WELLINGTON.

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## Where do 40,000 15-34 year olds tune every night?

Ask your adman.



# Record default losses hit mortgage insurers

Melbourne Correspondent

A DRAMATIC increase in the number of Australians defaulting on home loans has led to a record \$46 million payment by Australian housing mortgage insurers for the financial year 1978-79.

The Government-guaranteed Housing Loans Insurance Corporation chairman Fitzpatrick said in Sydney recently that all Australian mortgage insurers were facing large claims and the trend showed no signs of abating.

The HLIC itself reported claims approaching \$43 million for the 1978-1979 financial year, with estimated receipts at \$45.7 million. Six years ago it was paying out one cent in the dollar, this year it is paying out about 50 cents in the dollar.

Fitzpatrick said claims had

grown by an average increase of almost 80 per cent over the past four years.

Its nearest private enterprise rival, the Mortgage Guarantee Insurance Corporation, is faring no better, having reported its first underwriting loss, following claims of \$1.9 million in 1978, an 87 per cent increase on the 1977 level.

The company is believed to have paid out 60 cents in bad debts for every dollar received in premium last year.

In all, the total premium income for Australian mortgage insurance for 1978-1979 is reported as \$412 million of which about half will be paid out in bad debts.

In his annual report to Parliament last year, the Federal Insurance Commissioner warned of the losses that would be sustained by the mortgage insurers should the



THE AUSTRALIANS

recession deepen.

Certainly in the sixth year of recession, an increase in the number of claims is to be expected, but it is the rate of the increase which is causing the concern among the mortgage insurers.

According to HLIC the principal reasons for the failure of a growing number of

Australians to pay their mortgages are: unemployment; divorce; and over commitment on hire purchase.

A study carried out by the Royal Commission on Human Relationships has shown that two incomes are frequently necessary for an Australian couple to repay the average house mortgage.

In the event of divorce or unemployment, payment of the mortgage at higher interest rates, based on 1972-1976 boom valuations becomes impossible. Another factor which has led to the low price of housing fetched at current mortgagees' auction — well below the valuations of 1972-1976 upon which many insurance policies were assessed.

In consequence, insurers are compensating the building societies and banks for the substantial difference between the insured value and that realised at auction. Currently the net sale proceeds, with allowance for selling expenses are about 13 per cent lower



MORTGAGE DEFAULTS... unemployment, divorce, hire purchase.

than the original value. As the rate of bad debts from one in 500 in 1972-1973, to one in 70 in 1978, the insurers' losses have become increasingly acute. The laxity with which give loans to home buyers has been a major factor in the trend toward more stringency of loans by the banks. The trend has been to relax on lending to the banks in future: just they have relied upon the lenders' checks on applicant property valuations.

The insurers claim many of their losses incurred through the lender, alleging where loans have been, bankruptcies and personal affairs.

In future, the insurers will make checks on both sides supplied by lenders to the applicant's claim his capacity to repay.

Analysis of HLIC indicates that a disproportionate number of defaulters are among home buyers to borrow more than 10 per cent of the property value.

The paradox is Australia's mortgage is, that by insuring the against the risk of loans, they have caused the very high loan ratio contributed to so many defaults.

The fundamental problem is, "how can power and wealth be decentralised and still enable group action when the size of a task requires more than individual initiative?" This is the basic question with which the Values Party has been struggling since its birth.

Their proposed solution of co-operative decentralisation sounds fine in words. However, how does one require people to co-operate?

One aspect of human history

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## Man stalls co-operation

COLIN James' analysis of Roger Douglas' influence on possible future Labour Party policy (NBR March 21) raises questions which every New Zealander interested in the political future of our country must consider.

Douglas' proposal described by James as "A list of priority industries must be established (presumably by the Government) and new capital directed by the Government if the banks will not co-operate" into those industries on a long-term basis, "is a direct take from the Values Party's 1975 election manifesto. Those ideas were in that party's 1972 and 1978 manifestos in slightly different form.

Douglas' Labour superannuation scheme, killed by Muldoon, would have taxed all earnings at a percentage in excess of all net savings. This would have placed the title to assets in a Government controlled board of directors. That was an indirect nationalisation of all savings. It would have resulted within a generation in the nationalisation of all productive assets, land as well as industries.

Arnold Nordmeyer would have soon been replaced with a Stalin of bureaucracy as head of the superannuation asset owning board. Stalins of so-called private enterprise conglomerates are exactly like political and bureaucratic Stalins. Historically, and in the new socialist dictatorships of the nations now becoming industrialised, Socialism-Communism in power has turned out to be the worst form of the capitalist evil of snowballing of power and wealth into the hands of the few.

Here is Lincoln's statement of the underlying problem in the broadest possible political and economic context: "There has never been but one question in all civilisation, there is now only one question, and there never will be but one question in the future, and that is how to prevent a few men from saying to many men, you work and earn bread and we will eat it."

The fundamental problem is, "how can power and wealth be decentralised and still enable group action when the size of a task requires more than individual initiative?" This is the basic question with which the Values Party has been struggling since its birth.

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is tribal warfare now translated into the rivalry of the United States and the USSR complicated by the bushfire wars in Africa, South Asia and such things as Islamic fundamentalism in Iran.

John R Perkins  
Tauranga

## Future stirs concern

LIKE many New Zealanders, my concern for our future grows. In 1976, to help relieve the same tension, I recorded the following sarcasms or definitions — sadly most still apply.

Inflation: problem caused by oil producers, speculators, and (in 1975) overseas governments' inability to control their economies. Suits the Inland Revenue, public servants and those who own houses. Who else matters?

Prices: must be politically controlled to prevent tax-paying companies making lots of money and non-tax-paying government organisations losing lots of money.

Unionism: one of society's success stories. Introduced by the professions, it has suffered this century from blue collar inability to preserve essential entitlements. Illustrates what can be achieved through helping oneself.

Cost plus: a technique for passing the cost of "not trying harder" on to the customer. Followed by "Trade and Industry and the large companies, it cleverly changes "profit" from a market satisfaction variable to a pre-arranged percentage cost.

Contract: freely made agreement between two parties, binding on both unless one party has the power to make laws whereupon it is binding only on the other.

Price increase: only cure known to all forms of public authority, monopolies and the professions for losing money. Forbidden to those not so cosily protected.

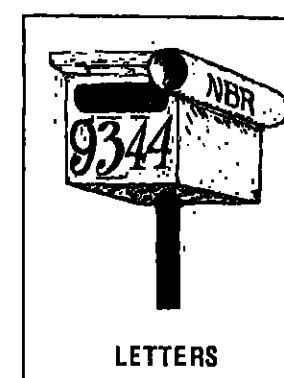
Policy: a statement of overall intent. Now also a euphemism for a public authority "price increase".

Today, for the same reason as above, I add these:

Totalitarianism: mode of governing formerly abhorrent to New Zealanders now apparently being reappraised. Basic tenets are conviction that all wisdom is harboured at the top.

National problem: an undesirable phenomenon, the responsibility for which is passed back to the people.

Fine tuning: a mix of intelligent observation,



LETTERS

bureaucratic observation, selected statistics, monopoly protection and faith in the effect of change. Claimed by some to be received from and supported by divine omnipresence, though most suspect its origin is space.

Macro-wisdom: the ability to see the net result of the natural forces that drive man as beneficial to mankind and, when in a position of power, the strength to overcome the temptation and pressures to invert these.

W A White  
Invercargill.

P.S.: Please warn me if this is likely to put me on the Wangarua computer's subversives register.

## Export exotic sundries

YOUK readers will have found much of interest in Sir Jack Harris' article (NBR, June 13) drawing attention to the export potential of a long list of flowers, fruits and vegetables which could be further developed. I have long shared his concern at the lack of entrepreneurs in the business scene and applaud his efforts to encourage new initiatives.

Sir Jack, however, brings his own credentials into question by slashing at the dairy industry as one whose "time is past". It is not necessary to get out of dairying to provide the land necessary for fennel, foxgloves, elderberries, poro and all the rest and the country desperately needs the income that dairying produces.

The terms in which he refers to the dairy industry indicate that Sir Jack has not quite grasped the industry's situation. European butter and milk powder stocks are indeed being dumped in our markets, but we, the dairy industry, still brought in some \$750 million of export income last year (\$630 million milk products and the rest dairy meat). We earned one fifth of New Zealand's overseas exchange receipts. The surpluses which Sir

Jack refers to are not going to be dumped on international markets because international agreements preclude such predatory means of coping with what are short-term European problems. The so-called surpluses represent no more than three months supply of European requirements, although, admittedly, while over zealous price support maintains production above demand it will take a lot more than three months to see them go away.

Strawberries, poro, poro, orchids, cymbidium and the rest should be looked upon as prospects for augmenting the national export income, rather than for displacing any part of it.

Three generations of farmers, scientists, businessmen and others have built the New Zealand dairy industry into the most efficient of its kind the world has ever seen.

The industry and the Dairy Board are committed to a vigorous programme of product and market diversification aimed at consolidating our markets and increasing the profit in the trade.

Our hughes is certain aspects of the European Community's Common agricultural policy, as a result of which, the Europeans are shrinking their domestic markets and distorting the

structure of others, including many in which we are selling. Their actions, for the time being, have artificially depressed dairy products prices in many markets.

But the costs of their agricultural policies are rising so fast that they will not be able to subsidise their exports indefinitely at present levels. And with Mrs Thatcher and her Government and other strong influences working hard within the EEC for the sort of changes to that policy that will benefit New Zealand as well as the United Kingdom, the dairy industry of this country expects to make a still greater contribution to the economy in the years ahead than it is making at present.

Sir Jack is looking for new opportunities and new efficient industries. I would suggest that he should not "poor mouth" one which has shown its efficiencies by competing successfully against countries which subsidise their exports as to more than one half of the costs of production. Is there any other industry in New Zealand that could boast of this?

We are sure that we will be exporting for the benefit of the nation until poro poro has completely removed the need for all food exports — not just the milk ones.

H K Knowles  
NZ Dairy Board

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**Even if it's only \$1,000 per year, OPL can save you at least 35%!**  
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— Ian W. Moses  
Managing Director  
On Premise Laundries

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the size of your business, chances are an OPL system will save you big money, too.

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**Major cost saving advantages**  
As an alternative to "outside" laundry services, OPL gives you far greater flexibility, plus positive cost-saving advantages. Because with an OPL system, your laundry costs are being reduced to an absolute minimum!

**You keep complete control**  
Now there's no chance of being charged for the laundering of unused items! OPL means the laundry stays on your premises, so you keep control. And you'll never run short again!

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For more information or telephone contact, please write to: Ian W. Moses, Managing Director, On Premise Laundries Ltd, 46 George Street, P.O. Box 4211, Auckland. Telephone 688-487.

Dear Mr Moses, I would like to know more about how OPL can save money for our business.

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Subsidiary Company of Advance Industries Ltd.





by Belinda Gillespie  
L D NATHAN and Co Ltd has gobbled up one major chain of stores this year, and looks set to make a second course of it.  
If McKenzies follows Woolworths, consumers may agree with Roger Douglas' description of the takeover as "yet another example of the hellbent trend to monopolies."

But Prime Minister Rob Muldoon does not share Douglas' vision of the consuming public and smaller commercial enterprises sitting back helplessly while Nathan, by far the biggest single retailing enterprise in New Zealand, swallows all competitors.

In April this year he opened Nathan's huge \$7 million distribution complex at Wiri.

Referring to Nathan's acquisition of Woolworths, he noted approvingly that with Nathan's 21 "Supervalue" supermarkets added to those of Woolworths, there were now a total of 120 trading under the Woolworths' name.

"We have a powerful retail group," said Muldoon.

"The efficiency of the overall operation will, I hope, be so strengthened by the facilities this complex offers that the customers will gain."

"The grouping together of firms should, ideally, be both for the benefit of shareholders and the public."

The test of private enterprise, said Muldoon, is that it must work not just in its own interests, but also in the wider interests of the people.

Muldoon depicted L D Nathan as a family company, strong on civic responsibilities.

Starting in a tent on the Auckland beach front, the founder of the firm, David Nathan, had started selling groceries and general merchandise to the Auckland public, and had been at it ever since.

Although Nathan's had diversified, the company had contained its operations within enterprises which had a common thread.

David Nathan not only laid the foundation stone of the first Auckland Synagogue in 1884 —

he contributed, with fellow Jews, to the foundation stones of all the original chapels built in Auckland.

In the business world, kauri, gum, wool, shipping, and the establishment of the first regular mail service were among his ventures. The willingness to seize any opportunity of business was seen as a fine example of the pioneering spirit.

Adding hotels, whisky and pianos to his empire, Nathan left a flourishing business to his sons at his death in 1886. They formed it into a limited liability company in 1904, with Alfred, the second son, as chairman.

The chairman is now a Coe, not a Nathan, but the fourth generation of the family is still represented in the business. L D Nathan has been a public company since 1960, although Muldoon stressed that "in its traditions, its people and its business it is a family company and probably the oldest in New Zealand."

The company has moved in the last 15 years to become one of New Zealand's biggest public companies. John Reid and Co Ltd, the Wine and Spirit Merchants and Innes Industries Ltd, owners of Waikato Breweries, are among the major subsidiaries.

Bond and Bond Ltd merged with Nathan's in 1973, combining its grocery operations into Associated Wholesalers Ltd, which now operates a network of warehouses throughout the Auckland area.

With Woolworths, and now almost certainly McKenzies, Nathan's has become a retailing giant.

But is it becoming such a powerful concern that other retailers, and the public benefit, are threatened?

A takeover bid the size of Nathan's bid for McKenzies must be notified to the Examiner of Commercial Practices for investigation.

He examines it in terms of the Commerce Act which, according to Trade and Industry Minister Lance Adams Schneider, "contains all the necessary criteria to ensure that the public interest is fully taken into account."

## L D Nathans spreads

other would benefit and competition would be eliminated.

Trade practices which push up prices and keep them up is deemed, under the act, contrary to the public interest. So is preventing a reduction in costs, increasing profits, preventing competition, limiting or preventing a supply of goods, and reducing the variety of goods available.

As well as these effects on the individual consumer any merger, takeover or monopoly must be viewed in a broader way, with regard to "any economic or other effects — on the well-being of the people of New Zealand."

Nathan's chairman, K V Coe, in an April announcement of profit increase of nearly 13 per cent over the previous half year, said that the company's intensive restructuring process would avoid duplication of effort and cost.

The group's broad field of interest gave it a resilience which compensated for "pressures on performance" — such as a demand for goods not readily available at manufacturer level.

He looked forward to a second half year which would see substantial changes in premises, plant and personnel, with "further premises identified to be sold."

"The major industries in which we trade are highly competitive," Coe stated. Policy committed them to high-volume, low-margin distribution.

"In a free enterprise economy companies like ours should be allowed to develop their businesses with the maximum possible freedom and with a full sense of responsibility to the community."

When Super Value stores (subsidiaries of L D Nathan) were placed under the Woolworths banner, Nathan's director R Kelly said centralisation was the only way to reduce the high costs previously associated with wholesaling and distribution.

The efficiency and saving would be reflected in the service which would be given

both to Woolworth stores and independent buyers.

Even if the McKenzies takeover did not result in store closures, it should provide opportunities for cost-cutting by bringing them under one management.

McKenzies itself has been affected by the state nature of the retail trade. Last year its worst since 1975.

In recommending shareholders to accept the Nathan bid, the directors are giving tacit acceptance to chairman H W Hume's view that the time has come to tidy up the country's manufacturing and distribution services.

Against this, takeovers can have a cost in human terms, if not by reducing the availability of jobs, by reducing their quality in many cases.

Takeovers of companies, such as McKenzies, with strong family traditions of their own, can cause a loss of vigour in the smaller, but still successful, company, particularly if key personnel are

## diversity not monopoly

This, Brierley has said, could be the most important factor in restructuring the economy in the next three to five years.

New Zealand, with its thinly spread population of three million, cannot afford to act like a country many times its size.

Shifting population trends have led to the formation of far too many small, inefficient companies and the country as a whole has grossly excessive productive capacity. Capital is not being properly utilised, and there is an urgent need to tidy up the country's manufacturing and distribution services.

He shares the Douglas view of the takeover as evidence of a disturbing growth of monopolies in New Zealand. Coupled with the dismantling of price controls, the process "could only mean the setting of prices at ever-increasing levels through elimination of competition."

All the Nathan moves must be seen in terms of their total operation.

Behind such "rationalisations" in the retail sector as the would-be purchase of McKenzies is the wholesaling and distribution side.

The Wiri Distribution Centre

Ivan Reddish, chairman of the Combined State Services Union, has backed the Shop Employees Association in its bid for an official inquiry into the proposed McKenzies takeover.

Reddish says that past experience has shown that mergers inevitably lead to staff redundancies, which would be unfortunate in time of high unemployment.

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has been hailed in Nathan's annual report as the usher to an era of "completely new distribution practices as far as the wholesale merchant trade of New Zealand is concerned". This distributive role sees the company supplying retail outlets, large supermarkets and small retailers throughout the Auckland province, yet according to the annual report "we receive only the same profit or distributive margin as a chain warehouse buying exclusively for its own stores within a narrow geographical range".

The present grocery distribution system is out of date and costly — "it is inevitable that ways of industry cooperation will be found whereby cost increases can be better contained and consumer confidence in pricing levels restored."

Wiri is "phase one of a comprehensive plan to ensure the modernisation of our approach to both wholesaling and retailing."

Nathan's size, strength and determination to streamline

the purchase, storage, transport and distribution of groceries and other goods works in the consumer interest as long as the company pursues a policy of passing on financial advantages, and competition remains vigorous. Inevitably it will be at the cost of some jobs.

But there is not a strong case for the view that the Nathan company is taking over the grocery trade, or indeed any one area of retailing.



A Woolworths — McKenzies merger means almost certainly the end of the era of the "variety chain store", but there are signs that the public no longer wants these outlets. Both chains in recent years have upgraded their shops to give an image more like that of department stores. Yet neither

offer credit and "in depth" range of goods, or other services for customer convenience.

In the Depression, McKenzies did well while other retailers languished. But the present recession has not created a climate where the low cost outlet flourishes.

## Nathans forges further ahead in retail stakes

L D NATHAN and Co is the biggest single retailer in the country. It has 120 Woolworths outlets with an expected turnover of \$250 million out of a total group turnover of \$450 million for this year.

If McKenzies sales of \$45.3 million were added to this figure, Nathan's would be virtually in the \$300 million league.

Farmers Trading Company is next biggest among the retailers, with sales of \$125.5 million last year. It has 66 shops throughout the country.

Behind it trails Haywrights, among the department stores, with sales last year of \$30.4 million.

The number of shops has been trimmed to a mere five in the North Island, and 12 in the South Island, with eight stores to be sold this year.

The Cooperative Foodstuffs NZ Ltd, overshadows Nathan's grocery wholesaling and retailing operation with a chain of Four Square and New World shops throughout the country numbering 1511. Estimated retail sales for the year are \$563 million.

Under its parent Foodstuffs NZ Ltd, four independent co-operatives exist in each of the main geographical regions, each with its own board of directors.

Nathan's faces stiff competition on the food side from:

• Auckland's Progressive

Enterprise which opened its 16th Foodtown supermarket last year, and for the first time exceeded sales of \$100 million.

• The Shoprite chain owned by publicity-shy Wally Morris.

• An enterprise of a different structure, Good Housekeeping Bureau Ltd. Under the GHB label, independently owned stores group together for advertising purposes to meet competition from the big chains. No national figures are available, but there are around 150 GHB shops in the Wellington area.

With a total of 33,000 retailers in the country, talk of a Nathan monopoly is unrealistic.

The company has penetrated the grocery business but it does not equal in number or turnover Foodstuffs NZ, which although consisting of a chain of privately owned stores, can be regarded in some respects as a single market force.

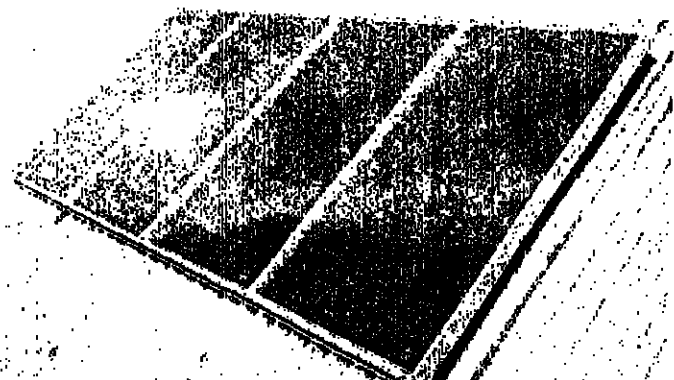
As a variety-chain, or department store, Farmers exceeds Nathan's, with no national competitor now that Haywrights has clipped its wings.

With the acquisition of McKenzies in the pipeline, Nathan may beef up this side of its enterprise, or it may cut it back further in favour of the grocery trade to which its main operation is geared.

In both areas, vigorous competition exists.

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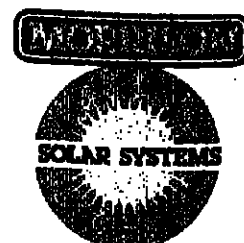
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# Databank link opens pathway out of isolation

by Warren Berryman

DISTANCE has long been the bane of the New Zealand businessman. Distance isolates him from the mainstream of technological advance and often leaves him out in the cold when it comes to up to date export market information.

Local manufacturers frequently struggle with a problem, unaware that it has been encountered and overcome overseas.

New Zealand exporters too often go abroad with a sample case and little or no knowledge of the market they hope to enter.

Inventors labour over inventions that are already subject to overseas patents, and planners plan in isolation, unaware of ebbs and flows of world trade.

As Export Institute director Ross Southcombe succinctly put it: "There is no point in New Zealanders reinventing the wheel".

New Zealand's problem has

been isolation from information. But computer technology and a little help from the New Zealand Post Office is likely to change all that by providing cheap and easy access to the world's greatest repository of information held in databanks throughout the United States and Europe.

The hundreds of American databanks, each specialising in particular topics ranging from accounting to zoology, are organised under vendor organisations; or databases, such as Lockheed's Dialog, the Systems Development Corporation's ORBIT, or the New York Times Database.

The American "freedom of information law" gives these databanks information from government departments as well as information gleaned through private research.

Access to this information need only be an arm's reach to the New Zealand businessman's phone.

Put simply, he phones his selected database over a Post

Office datel line. On reaching them, he places his phone handpiece on the acoustic coupler atop his portable keyboard terminal, types out his ID, the databank, and data required, and the computer in the American database takes over.

The businessman, if in a hurry, can request the information to come on line and be typed out on his terminal. Or he can have the information printed off line and posted to him.

The keyboard terminal will cost about \$4100. Cost of access to the databases is paid on a computer time basis with charges ranging from \$25 to \$60 an hour.

The major cost at present is the international phone call. To the United States, it's \$150 to \$180 an hour.

There is only one datel line between New Zealand and the United States and this is overloaded.

One can use an ordinary toll

line (though this is frowned on) but the three minute blips interrupt the signal.

Present New Zealand users complain about the inadequacy of the present datel system. Often, they say, they are cut off in mid transmission and each reconnection costs them \$8.

The Post Office is working on a system that hopefully will both overcome the shortcomings in the system, and reduce costs to the user.

The system, to be completed this year, will establish a link from the New Zealand phone subscriber to two major

computer networks in the United States.

These networks, Telenet and Tymnet, establish an interface between the overseas user and the American databases. (See NBR May 30, 1979).

The Australians have installed a telecommunications

abstracts of chosen articles can either be sent on line to the desk or posted to her from a off line printout.

Or she might have a database post her copies of the articles needed.

"I am concerned that New Zealand is perpetuating its isolation," she said. "We have a wealth of natural gas and coal upon which our future could be built. But where are our planners getting that technical information?" she asked.

Other uses of the database mentioned by Smith included:

- Patent searches through Derwent;

- A databank under the ORBIT umbrella.

- Complete company searches giving information about their parent company subsidiaries, product line locations, etc.

- Market research data for potential exporters.

- Lists of companies able to supply a product or likely to be in the market for a product.

- And information on management techniques.

UEB managing director Teckale cited an example of the practical business use of such research.

UEB was developing a big in-a-box container for the New Zealand wine industry. As to a worldwide search for technical information, the databases kept UEB abreast of the latest components, and techniques, in a box manufacture.

"It helped us leapfrog in technology," he said. As a result, Teckale said, UEB's manufacturing process is the envy of American manufacturers which had been in the game longer than UEB.

To make the best use of databases and save on a expensive on-line computer fee, the operator should be able to use this particular type of research technique, Smith said.

Before going on line, UEB used American information brokers to do the job for her, she said. It would write, phone or telex an information broker specialising in the field.

Brokers charge between \$5 and \$50 an hour, plus their on-line search time.

Reading through the brokers' report, seeing how he had gone about his job, provided her with valuable training in technique, Smith said.

She said she would go through an information broker in a field beyond her competence.

The use of such information broker was a option for a New Zealand either unskilled in database search technique, or unwilling to go to the expense of going on line, she said.

The first step would be to choose an appropriate database.

The researcher might then request a list of all articles and papers published worldwide on the subject. From this list,

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# Political expediency upstages national interest

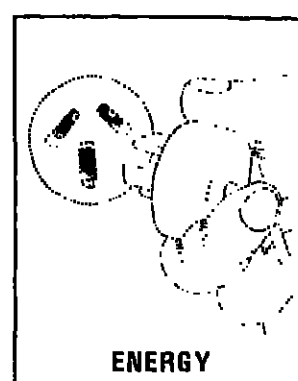
by David Boswell

AT the fourth New Zealand Energy Conference, Energy Minister Bill Birch said the Government would publish a national energy policy before the end of the year. But an energy policy is required now — not in six months.

And if previous experience can be taken as a guide, when the policy is eventually produced it will be found that political expediency will have been given precedence over the national interest.

Bringing Maui gas ashore from under the waters of the Tasman Sea was as momentous an event for this country as the day the Southern Cross flew across that same water over 50 years ago. But instead of the gas being used as a lifeline for an ailing economy, it is more of a millstone.

We have to pay for it now, although we will use it later, so it is simply compounding our present troubles.



The situation is analogous to a miser who hoards gold to provide for a rainy day, while he goes about in rags and eats scraps.

If this country had a statesman at the helm, the cost of electricity would have been reduced by 20 per cent from May 1, instead of being increased by 60 per cent.

This action would have reduced costs of both primary and secondary industry, held

THE first of a series on New Zealand's energy policy by David Boswell B Com, FCIS, ACA, life was a power board manager for 25 years, chairman of the Power and Finance Utilisation Committee of the Electrical Supply Authorities Association for 10 years and a member of the Committee to Review Power Requirements for the same period. His book, Politics and People was published last year.

or reduced the cost of living and so helped to curb inflation. And it would have been a factor in dampening down the inevitable demand for higher wages in the forthcoming wage negotiations.

It would also have provided an incentive for folk with oil-fired central heating in their homes to use electric radiators.

If the demand for electricity increased, more gas would be consumed at the New Plymouth, and soon Huntly, power stations. This would produce more condensate, and, by reducing our oil imports would reduce the drain on our overseas funds.

Eighty per cent of the homes in this country are all-electric. Many of them are without

alternative means of heating. This winter many folk, particularly pensioners and one-income families on the minimum wage, will go cold while water will be running to waste over the spillways of our hydro stations. This is an energy policy gone berserk.

There were three most important considerations that "Goals and Guidelines and the fourth Energy Conference chose to ignore.

First, the ingenuity of man. In the last 80 years man has lifted himself from the surface of the earth to walk on the moon.

At this moment an unmanned machine is probing the secrets of the outer planets, and relaying its findings back to earth. Today a

person in some laboratory or shed could be perfecting some idea which could make the internal combustion engine obsolete.

The electric car is already a fact. We should remind ourselves that there have been more revolutionary changes and discoveries in this century than there have been in all the previous 18 centuries added together. Why should this process suddenly cease?

Second, many of the resources beneath the earth's crust still await discovery. There is nothing to suggest that further exploration will not discover another field or fields of natural gas. Although the Maui field was claimed to be one of the largest in the world, subsequent research has proved that it is much more extensive than it was first claimed to be.

Professor Titchener, of Auckland University, on May 20, 1974, stated: "Calculations based on known reserves yield unrealistic short estimates of the life expectancy of a

resource. A good example is petroleum.

"In 1940 the world's petroleum reserves were sufficient to last 20 years at the then rate of consumption.

"Today, 34 years later, petroleum reserves are sufficient to last about 20 years at the present rate of consumption which is 10 times that of 1940. Any estimates we make of the life of any resource will inevitably be too short because they are based on only discovered resources.

Third, the fact that our country is situated on the edge of the Pacific basin, the most unstable part of the earth's crust. How can we assume that, with one frail connection to our major gas source, this state of affairs will continue indefinitely?

The people of New Zealand have a huge investment in the Maui field and in hydro, geothermal and thermal power plants.

The time is overdue for us to get a dividend from that investment.

## Salary gap grows wider

THE salaries of top executives in New Zealand are falling further behind those in Australia. This disturbing trend has been confirmed by the latest PA-Greenwood salary surveys.

The surveys cover more than 240 salaried positions ranging from junior staff to chief executives and was conducted simultaneously in Australia and New Zealand in March by PA Management Consultants Limited.

The PA-Greenwood surveys are collectively the largest and most comprehensive in Australasia.

The surveys showed that in March, the average basic salary in New Zealand dollars paid to top executives in New Zealand engaged in marketing, finance and production, was about \$7200 less than that being paid (in Australian dollars) for similar jobs on the other side of the Tasman.

Five years ago the difference was around \$3600. Australia begins to look even more attractive for New Zealand executives when the effects of rising living costs and income tax in the two countries are taken into account.

The after-tax salaries of top executives in Australia rose by about 26 per cent during the two years ended March 1979. In New Zealand the increase was only 21 per cent.

But it is inflation which is the major cause of the widening

gap in real incomes. Between March 1977 and March 1979 top executives in New Zealand saw their purchasing power of after tax salaries fall by between four and five per cent, while in Australia, over the same period, similar people enjoyed an increase in excess of 6 per cent.

Salaries do not tell the complete story. There has been a trend in both countries over recent years for fringe benefits and other staff privileges to become increasingly important in the total remuneration package.

Again, the New Zealand executive is slipping behind.

Take the case of company cars. The proportion of top executives in both countries receiving a company car is about the same but the Australian executive generally drives larger, more expensive car than does his counterpart in New Zealand.

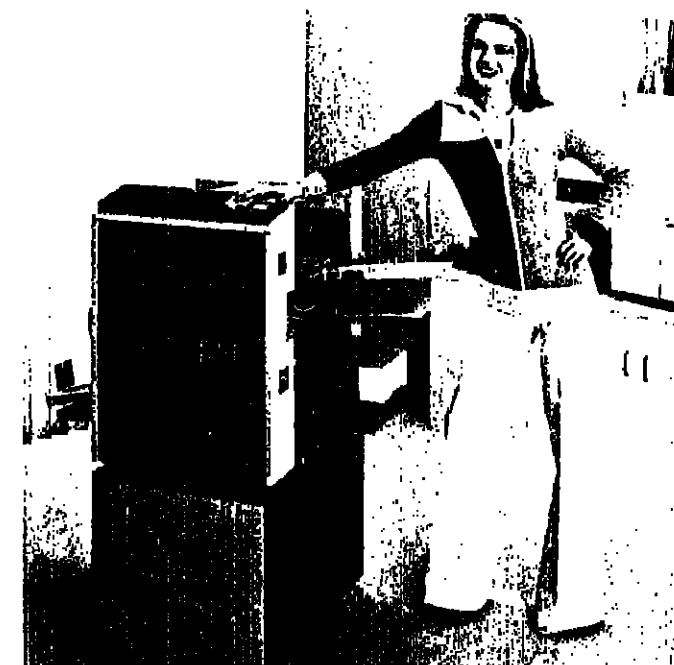
The same relationship is true for other benefits, such as entertainment, travel allowances, overseas travel, club membership, and so on, although these benefits are to some extent taxable in Australia.

One of the effects of the growing differential can be seen in the numbers of professional, technical and managerial people leaving New Zealand, resulting in a net outflow of 5898 in the 11 months to end of February 1979.

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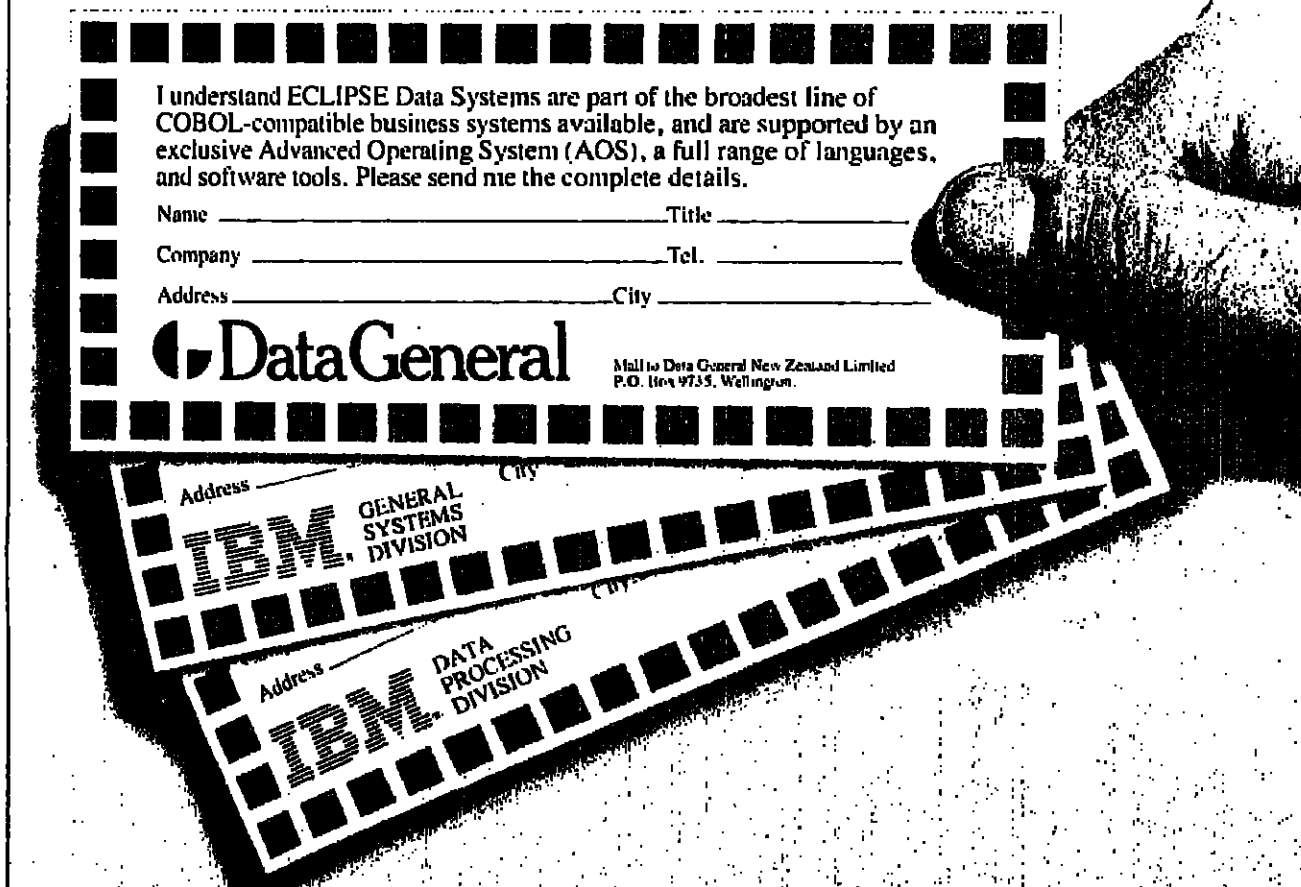
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## PAGE 10 SHOWS YOU WHERE AUCKLAND HAPPENS



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2nd Floor, 224-226, Victoria Road, Auckland 1. Telephone (09) 725-1995. Telex NZ1002.



# Electoral reform offers the chance to reduce

by Geoff Palmer

IN a democratic country like New Zealand there can be no doubt about whether the majority should rule. The question is what kind of majority should rule. People who vote exercise a choice. It is expected that the people who are elected will make decisions, a point that needs considerable refinement in the context of the New Zealand system of government.

The system recognises that it is not possible for all citizens to be involved in all public decisions. The whole of our system of government can be understood as a way of channelling communication between the voters and the decision-makers.

And the fact that voters vote exercises a check on the decisions of their representatives. Only by competitive election can the identity of the main decision-makers be changed.

In New Zealand, voting takes place after a public fight between contending adversaries which are known as political parties. The parties ostensibly present contrasting views on issues; voters then decide which set of preferences they want.

Results are decisive. Either a party controls all the power of government or none of it. At times in the past New Zealand has had coalitions of political parties forming a government and that could recur in the future. But the dominant pattern of modern New Zealand is single party government.

The existence of the two party system in New Zealand, and the contest between the parties, has been the dominating feature in determining the nature of our government for the last 40 years.

are now signs in New Zealand that domination of the system by two parties alone will not continue. One way to reduce the importance of the party system is the use of referenda.

## Referenda

From time to time important public issues in New Zealand are decided by referendum. Referenda can be in two forms. The results can be made to have a legally binding effect, as in the liquor referendum held every three years in New Zealand. If prohibition were carried, for example, the statute under which the referendum is held provides for what happens in that event. Or a referendum

## UNDRIDLED POWER?

An edited extract from the new book on the New Zealand constitution by Geoffrey Palmer, published by Oxford University Press.

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Geoffrey Palmer

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# New Crothall plan may needle the nurses

by Bob Edlin

COMMAND SERVICES Corporation Limited—looking in good health with the announcement of another record for the group in both turnover and profit—seems bound nevertheless to come under the scrutiny of the nursing profession.

One of its member companies—Crothall Hospital Services—has introduced a new "product" which could be seen by nurses as an invasion of their domain.

If, as Crothall executives argue, it means more efficiency in hospital management, the service could also be considered by taxpayers to contribute to much-needed cost savings for financially beleaguered hospitals.

The Command Services annual report blandly notes the introduction by Crothall Hospital Services of "unit management", which is described as "a further extension to aiding the health service by utilising the company's extensive overseas expertise".

The idea is that the company will contract to undertake the non-clinical management of hospital

wards. "A number of hospitals are interested, but no one has taken the service yet," Tony McGrath, managing director of Command Services, said last week.

Unit management is undertaken in some English hospitals, McGrath said.

"And we argue that the contractor has a big part to play in hospital efficiency. Contractors already play an important role in saving hospital boards hundreds of dollars."

McGrath said that by contracting, hospital boards could make savings as great as 20 per cent on hospital-running costs.

"It is important to appreciate our cost efficiency," he said.

"It is a matter of doing what you do best, and letting others do what they do best."

"Nurses are trained to provide specialist clinical services, but they are not trained to make beds."

Through a unit management contract, Crothall would undertake the non-clinical management of a hospital ward.

That would mean everything from cleaning floors, windows, patient's clothing and so on to



MARKETPLACE

shaving patients and making beds.

The nurses would be relieved of housekeeping work and could concentrate on patient care.

Crothall management is confident the proposal involves only support activities that will assist nursing staff—the sort of work now done by cleaners and porters.

Therefore it doesn't anticipate industrial problems.

"In fact, the nurses claim they have too much non-nursing work to do now," said one company executive.

"They have been pressing for these changes."

But as one nurse observed: "Increasing specialisation has sliced up the work into so

many bits, we will no longer be needed."

"There are physiotherapists, dietitians, pharmacy specialists... In the end, what is left for us?"

Crothall Hospital Services is a hospital support service aimed at carrying out housekeeping, domestic, orderly and ancillary service duties within hospitals and similar health and health care institutions.

Company staff perform these duties under the direction of a management team.

As the annual report of Command Services notes: "This system is designed to blend smoothly with existing hospital procedure, with close liaison between the management team and hospital staff, always adhering to the regulations and policies of particular hospital boards."

The company began 40 years ago. It operates in several countries—among them Saudi Arabia.

It is engaged in cleaning through to nurse aide, dietary, food preparation, even ambulance driving.

But the idea of Crothall managing all non-clinical work in a ward is likely to meet

objections from ward sisters. They traditionally see themselves as managers of their wards.

Then there is the problem of deciding what are nurse-aide duties, and what are cleaning duties.

Nurse aides—like registered nurses—are represented by the Nurses' Association.

Even the making of beds can raise demarcation problems. Making beds is not necessarily a non-nursing function. It is a job which can allow the nurse the chance to spend some time with a patient.

And where the patient is particularly ill, or requires a bed cradle, more is involved than the mere making of beds.

The executive director of the Nurses' Association, Shona Carey, said she had never heard of the concept and was reluctant to comment till she knew details of the Crothall idea.

"My immediate reaction is that the idea will be resisted," she said.

"It sounds like it would mean two bosses in the one place, and that is never good."

"And what do you mean by nursing duties and non-nursing duties? How good will it be for the patient?"

"If I see the proposal, we can't react."

She said the association would hope it was involved in any negotiations—"or they are asking for trouble."

A Hospital Boards' Association executive said boards should give the concept close cost analysis.

And the issue of using contract labour instead of hospital staff would have to be carefully assessed to avoid conflict with clinical staff.

"We would have to come out member boards as professional groups," an executive said.

The association didn't have direct authority over the boards, but had an advisory role, he said.

Command Services recognised that the company might be slow because of bureaucratic constraints.

But he said he was "optimistic" and "hopeful of a breakthrough". And he said the Department of Health supported the concept.

Command Services companies, of course, are accustomed to battling the bureaucracy.

One of Hamilton Holdings products—a meat pie plant at export markets—has problems with agricultural authorities who insisted the meat export licence was needed.

Australian authorities were prepared to accept a product, provided it was accompanied by state declarations stating that it met came from approved works.

That wasn't good enough for the New Zealand authorities. Eventually they changed regulations to fit the product but that was two years after the initial order had been made.

Now the company is back to rebuild the market.

Another Command Services subsidiary, Seekers Telecommunications, has a telex bureau and its services. But regulars impose a limit on the number of clients, the service may be advertised—and Seekers not allowed to make a profit its telex operations.

# Capitalism in Israel: some lessons for New Zealand

by Michael Hirschfeld

WHILE the world has been watching the aftermath of Camp David and speculating on the chances of a continuing peace in the Middle East, the Begin Government in Israel, since its election two years ago, has been pursuing an economic policy which makes Margaret Thatcher in Britain look like a moderate.

Israel's population of more than three million lives within a democratic tradition, is well-educated, has a sophisticated and honest public service, supports most of the trappings of a welfare state, depends for its livelihood to a large degree on overseas trade, and, despite the small land size, two out of three of its leading export earners are agriculturally based.

Some areas of difference between Israel and New Zealand obviously exist: negatively, Israel has scarce energy resources, high defence expenditure and high domestic taxation. Positively, it is close to major world markets, has favourable access to both the EEC and the United States markets, and has a major, if economically distorting aid inflow, which makes light monetary control nearly impossible.

But a decision in favour of an early election might also be taken in an effort to ward off the strongly growing feeling of economic discontent.

Fundamentally the main problem is quite simple. Inflation, which had been running at the double-figure level for some time, was into the 20 per cent plus range under Labour.

The latest inflation figure released in Israel was the April cost of living increase of 8.7 per cent for the month, which multiplied by 12, took the annual rate over the magical 100 per cent a year rate for the first time ever.

Today's rate of exchange, with several further movements since the 50 per cent devaluation, makes the Israeli pound worth just 4 cents New Zealand. On my last visit to Israel just a few years ago it was worth nearly 12 cents.

It is hardly surprising that the rate of inflation does not make the trade unions happy. Long and bitter strikes are the

reforms came. The Israeli pound was devalued by 50 per cent; all import controls were lifted leaving a reducing level of tariff protection and fluctuations in the exchange rate as the main protection for Israeli industry.

Along with this went a lifting of all foreign exchange restrictions, travel controls and so on.

To illustrate just how restrictive the old currency controls had been, the black market in currency was so strong and well-organised that its daily exchange rates were quoted on the state-run radio.

The Begin Government's design was for Israel to reflect the market forces with as little state interference as possible. It was even hoped that Israel would become an alternative trading centre.

What now is interesting, is to observe just how the market forces have helped to cure Israel's economic ills.

Politically, the next market test of the public reaction is not due until 1981, although an early election has been predicted. If this occurs it will probably be in an attempt to win re-election on the popular foreign policy achievement of the peace treaty with Egypt, capitalising on the prevalent spirit of optimism.

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It is hardly surprising that the rate of inflation does not make the trade unions happy. Long and bitter strikes are the

rule, rather than the exception.

Earlier this year there was a complete postal strike lasting for several weeks. The whole school year and exam schedule are running nearly a month behind, because of a long teachers' strike earlier in the year.

If New Zealand businessmen are finding free-market

employment situation, Israel's other big problem, which this radical restructuring was meant to tackle, was its chronic balance-of-payments deficit. But despite massive devaluation, no such improvement has taken place.

Inflation, feeding on itself, has encouraged a consumer boom creating a strong domestic market and limiting supplies available to service the export sector.

Only one area of demand has quite predictably dried up—new housing. With an average sized flat now costing \$90,000 and interest rates so high, one can imagine the problems faced by young couples trying to start out and save for their own first house.

No one now seems optimistic that any of these problems will go away if left to the market. Economic life continues because of the inflow of aid, plus the flow through projections from the massive military base construction programme in the southern desert region to be financed by the United States as part of the Camp David agreement.

Left to the natural market forces, the only response would be collapse.

Even that cannot be ruled out, but the growing feeling, after only two years' of experimentation, is that a return to some forms of regulation and control is inevitable and that hopefully the new versions of the old systems will be more imaginative, more effective, and subject to less abuse.

For New Zealand, the warning signs should be seriously studied.

A rash, blinkered, ideological commitment to the imaginary panacea of the market might turn out very similar results to those discovered in Israel. Given a worsening of existing economic problems and similar inflation levels to those now prevalent in Israel, New Zealand, with a less socially cohesive society may find it difficult to cope with the consequent social strain.

Israel will probably be saved because of her position in a region of vital importance to the world.

The same attention and help may not be available to New Zealand.

Of course, not everything is black. The taxman is having a ball.

Tax brackets are adjusted—but only partially—allowing for only 70 per cent of the inflation for the last four years. As a result, this year's tax take is an estimated 77 per cent up on last year.

On the positive side, the economy is expected to show a 6 per cent real growth in GNP plus a 6.2 per cent rise in productivity—both better than New Zealand.

And as yet the official figures show a full employment situation.

For that matter, some traditional areas of credit have disappeared under the strain. Only this month the electricity company received permission to charge slightly more than 40 per cent of estimated consumption charges in advance.

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